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GENERAL

Outlook for Conventional Arms Reduction Talks

90WC0015A Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 21, 1 Nov 89 pp 16-18

[Article by Zhou Aiqun (0719 1947 5028): "European Conventional Arms Reduction Talks Which Are Entering a Key Period"]

[Excerpts] Beginning this year, the sky has begun to clear over the European conventional armed forces talks which have been overcast for a long time. The United States and the Soviet Union both have a positive attitude toward the third round of talks which resumed in Vienna on 7 September and the talks, which now have a foundation of solid results, are entering a critical stage. [passage omitted]

At the meeting of heads of state of the NATO member nations which convened at the end of May this year, U.S. President Bush expressed the hope that an agreement on conventional arms reductions in Europe would be reached in six months or a year. On 21 September at the White House, Soviet Foreign Minister Shevardnadze handed over to President Bush a letter from Chairman Gorbachev in which he reacted positively to reaching an agreement on limiting conventional arms within a year. The Soviet foreign minister further proposed convening a meeting of all European heads of state and the United States and Canada in the last half of 1990 to sign a conventional arms reduction agreement. International public opinion holds that although it is premature to discuss signing an agreement, the heads of state of the Soviet Union and the United States have established a timetable for talks to achieve an agreement and this adds an even more optimistic atmosphere for these talks in which the positions of the two sides are already very close.

The Prospects Are Good

Nominally, the European conventional arms talks are talks between two large military blocs and 23 member countries, but in fact they can be divided into the Soviet Union, the United States and Eastern and Western Europe. Although their strategic interests are different or not entirely unified, all have the hope and the need to reach an agreement.

For the Soviet Union, the European conventional talks themselves are a strong item, but it took the initiative to give way, and lowered its sights as if to use the disarmament talks intentionally in foreign relations to establish its peaceful image and internationally to improve East-West relations to achieve a relatively stable international environment to accelerate growth domestically. Gorbachev's reforms are not at a critical point and scoring a success in foreign relations and using the money saved by disarmament for economic construction will undoubtedly be of benefit to a stable situation. As for the United States, since it hopes to weaken the Soviet

Union's control of Eastern Europe through the disarmament talks, and economically also can reduce the burden of domestic military expenditures, wants even more to take advantage of the Soviet Union's current perestroika and its request for help and this "historical opportunity" to reduce the superiority of the Soviet Army's conventional forces, eliminate its ability to launch a sudden strike, and to adopt large-scale attacks, to realize a balance in low-level military preparedness and ensure the security of NATO.

As for Eastern and Western Europe, whether proceeding from the interests of their individual blocs or from considerations of extricating themselves from the control of the leader of their alliance, struggling for more independence and autonomy and unification for self-strengthening and establishing a new peaceful European order, they all hope that conventional arms reduction talks succeed.

However, conventional arms reduction talks involve a large region, many countries and complex reduction topics, so it will be difficult to coordinate the interests of the two large blocs or even the participating countries and a great many serious differences will be difficult to resolve. At the same time, new issues may arise in the process of the talks. According to reports, General Galvin, Supreme Commander of NATO, recently revealed that NATO military authorities are planning to shift their best weapons among the allies in order to ensure that when weapons are reduced in East and West, they will only be reducing NATO's most out-of-date weapons. This undoubtedly will provoke new contradictions between the two sides in the talks. It appears that the talks will also be tortuous and complex. However, disarmament is the major trend. International public opinion generally holds that, once European conventional arms reduction talks get under way, its momentum will be hard to stop. It is estimated that through the third round of talks, the positions of the two sides will draw closer and it appears there is hope for the achievement of an agreement before the end of next year as proposed by President Bush and Chairman Gorbachev.

UNITED STATES

Analysis of Adjustments in U.S. Cambodia Policy

90ON0178A Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 21, 1 Nov 89 pp 2-3

[Article by Guo Xiangang (6753 2009 4854): "The United States' Cambodia Policy Adjustments"]

[Text] Instead of playing second fiddle, the United States has decided to play a more direct role in dealing with Cambodia. In this way, the United States hopes to resolve the Cambodia question in a way that best serves its interests.

Since entering the White House, Bush has reconsidered and revised some U.S. foreign policies, and the media have followed with enthusiasm every new "Bush-ism" that has appeared on the scene. So far, Washington has made tentative policy adjustments on the Cambodia question, an issue it is inextricably involved in. Thus, people will soon see some changes, and a new situation will emerge along with some new issues.

The Focal Point and the Trend

The Bush administration's Cambodia policy adjustments are concentrated in two areas:

One, eliminate the Khmer Rouge and provide military aid to Sihanouk and Son Sann. During the Reagan era, U.S. support for the Cambodian resistance forces was primarily in the form of moral support and the provision of some nonlethal-type equipment and some goods and materials. The Bush administration has abandoned this method. In May of this year, the United States drew up a secret plan to equip the noncommunist resistance forces with rifles and other lightweight weapons. The purpose of this move is to strengthen the Sihanouk and Son Sann factions in order to thwart or even destroy the Pol Pot faction, and basically to lay the foundation for a noncommunist government to replace Heng Samrin's government. Both houses of the U.S. Congress debated heatedly over Bush's military aid plan. Despite worries of opposition members that some supplies may fall into the hands of the Khmer Rouge and warning that the move may once again drag the United States into the Cambodian war, in June and July, the House and the Senate, respectively, ratified the amendment authorizing the government to provide secret military aid to Cambodia's noncommunist resistance forces.

The United States may be hoping for a political solution, but it nevertheless is prepared for both eventualities: If there is possibility for a political solution after Vietnam's troop withdrawal, U.S. military aid will strengthen the position of the noncommunist resistance forces in subsequent negotiations. But if "civil war" should break out, the U.S. military equipment can at least strengthen Sihanouk's and Son Sann's factions to confront Hun Sen's regime and the Khmer Rouge. Both situations can increase U.S. influence in Cambodia. Thus, no matter if war or peace should ensue, the United States is in a position to increase gradually the types and the size of military aid to ensure a bigger and stronger resistance force other than the Khmer Rouge.

Two, shift the main target of containment to the Khmer Rouge. In the past, Vietnam and the Phnom Penh puppet regime were the main U.S. targets of attack. But with the approaching Vietnamese troop withdrawal, the U.S. attitude has changed. In June of this year, the LOS ANGELES TIMES disclosed that the U.S. Government has decided to accept a compromise whereby Sihanouk and Hun Sen would share the power of government. At the end of July, at the International Conference on the Cambodia Question in Paris, Secretary of State Baker's

stand against the Khmer Rouge might have appeared to have softened, but, in fact, the United States had much harsher words for the Khmer Rouge than for the Phnom Penh regime. Baker stated that "the United States insists that the Khmer Rouge should not have any future role in Cambodia." "The extent of U.S. support for any Cambodian Government will be affected directly by and will correlate inversely to the amount of Khmer Rouge participation in that government." With regard to the Phnom Penh regime, Baker indicated that, although the United States cannot support the continuation of the Phnom Penh regime, it acknowledges that some members of that regime can play a role in some kind of transitional government. In mid-September, Assistant Secretary of State Solomon disclosed that the Bush administration has drawn up plans that will ensure that the Khmer Rouge will not control Cambodia's future government. In addition, the United States has also repeatedly asked China to stop providing aid to the Khmer Rouge.

The above signs indicate that, in the future, the United States may take an increasingly harsh stance against the Khmer Rouge, and, if cornered, it should surprise no one if it turns around to encourage Sihanouk to join forces with Hun Sen.

Compared to U.S. policy since 1979, the above adjustments reflect the following fundamental changes: Instead of playing second fiddle, the United States will become more directly involved in Cambodia and in this way hopes to resolve the Cambodia issue in a way that best serves its interests. The United States is trying to take advantage of the recent changes in Cambodia to return to Indochina and recover, to some extent, its strategic position in that region.

The Broad Background and the Microclimate

Since the collapse of the Lon Nol regime in 1975, the United States has lost its superior strategic position in Cambodia. For many years, because of domestic and foreign constraints, the United States has been forced to play second fiddle to others in the Cambodia question. Today, the entire world situation as well as the situation in Cambodia have changed. The United States is ready to get out of its second-fiddle role.

The warming of U.S.-Soviet relations obviously is the broad background behind the adjustments in the U.S. Cambodia policy. Today, although the United States still regards the Soviet Union as its number-one adversary in Southeast Asia, it also believes that, because of its growing domestic problems, the Soviet Union is in no position to adopt an aggressive policy in that region. The United States can therefore contain the Khmer Rouge as a way to step up infiltration of its own forces. Because relations with the Soviet Union have improved, the United States can afford to distance itself from China on the Cambodia question.

As far as the Cambodia situation is concerned, efforts to seek a peaceful solution have stalled, which has provided

the United States with an opportunity to get more involved. International societies have tried repeatedly to arrange for the various Cambodian factions to meet with Sihanouk and Hun Sen, but all attempts have failed. This year's Paris International Conference on the Cambodia Question was also a failure, and the Cambodia solution is once again being complicated. To strengthen their own forces, Sihanouk and Son Sann are urgently pleading for military aid, especially from the West. The United States believes that surely there is a role for it now. Thus, more and more of Cambodia's own needs coincide with U.S. interests.

Furthermore, ASEAN's attitude too must have some effect on the United States. Last October, for the first time, in a UN resolution sponsored jointly by ASEAN and Japan, a clause was included to prohibit the Pol Pot faction from seizing power once again. Since last July, ASEAN has arranged several unofficial meetings between Sihanouk and Hun Sen. Because ASEAN is its chief alliance in Southeast Asia, the United States will, of course, take ASEAN's change of mind into consideration when adjusting its Cambodia policy.

The United States has its own ideas about each of Cambodia's several resistance forces. At present, both Sihanouk and Son Sann have fairly sizable armies. It is estimated that Sihanouk has about 120,000 to 190,000 soldiers, and Son Sann's army is about 5,000 strong. Reportedly, the two are planning to swell their ranks to 460,000 men by the end of this year. In the United States, someone probably has figured out that, with U.S. weapons, Sihanouk and Son Sann can double their forces. But the Khmer Rouge is still remarkably strong, too. The United States fears that it is very possible for the Khmer Rouge to seize power in Cambodia again. It is therefore imperative that the former factions be built up to contain the latter.

At home, this is the opportune time for the United States to adjust its Cambodia policy. The reduction of Soviet influence abroad, especially the Soviet troop withdrawal from Afghanistan, to some degree has restored the American public's confidence in U.S. intervention in foreign affairs. Public pressure opposing U.S. intervention in Indochinese affairs is weakening.

The Effects on Several Areas

The adjustments in U.S. Cambodia policy are an integral part of U.S. global strategy. It naturally will have definite effects on the Cambodian situation, on the situation in Southeast Asia, and on Sino-U.S. and U.S.-Soviet relations.

Today, although Vietnam has announced that its troops have pulled completely out of Cambodia, several hundred thousand soldiers disguised as a Cambodian puppet army and hundreds of thousands of Vietnamese immigrants are left behind in Cambodia. Cambodian resistance forces are still facing formidable enemy forces. In the future, although some kind of political solution may be attainable, the possibility of another war cannot be

ruled out. U.S. military aid will help strengthen Cambodia's resistance forces against Vietnam and put more pressure on Vietnam and the Phnom Penh puppet regime.

In addition, these policy adjustments will help the United States reestablish its strategic superiority in Southeast Asia. After the Vietnam war, because U.S. influence was sharply curtailed, the Soviet Union was able to gain a foothold in Indochina. Today, Soviet influence too has waned and Cambodia needs U.S. help at the battleground. The increased U.S. military aid will no doubt further undercut Soviet influence. The United States feels that, as long as Cambodia has a noncommunist government, it will be able to reestablish its influence in Indochina.

A further situation is that the United States has taken a hard line against the Khmer Rouge, which happens to coincide with the Soviet stance. On 29 July, U.S. and Soviet foreign ministers held a three-hour-long secret meeting in Paris. Subsequently, at the Paris Conference, the United States rejected the Khmer Rouge completely and the Soviet Union supported the U.S. position to involve the United Nations in seeking a Cambodia solution. The reason the Soviet Union changed its mind about the United Nations is fairly complicated, but, nevertheless, this move shows that the United States and the Soviet Union have indeed found more common ground on the Cambodia question.

All in all, development in the Cambodia situation has reached another critical junction. At this point, the Bush administration has made more Cambodia policy adjustments, and the U.S. Congress and public opinion have renewed their debates over that policy. Further changes in the United States' Cambodia policy warrant our close attention.

NORTHEAST ASIA

Japan Reported as Ruling Out Need for Defense Cuts

OW3001222690 Beijing XINHUA in English
1504 GMT 30 Jan 90

[Text] Tokyo, January 30 (XINHUA)—Japan today ruled out the need for defense cuts in line with the announcement by Washington yesterday of United States reductions in military spending.

The director general of the Japanese Defense Agency, Juro Matsumoto, told a press conference here that the defense budget for fiscal 1990, starting next April, will just reach the four trillion yen (29 billion U.S. dollars) level, an increase of some 6.5 [as received] over the previous year. He said that "it is not like the U.S. cutback."

But the defense chief said he saw the 2.6 per cent U.S. defense budget cut as a "turning point" in the process of detente and disarmament.

Matsumoto said he had received no notice of reported U.S. plans for a partial pullout of troops based in Okinawa, the southernmost part of Japan, and Iwakuni, Yamaguchi Prefecture.

A Foreign Ministry spokesman, Taizo Watanabe, said today that Japan expects the U.S. to retain its deployment strategy in the Asia-Pacific region unchanged.

SOUTHEAST ASIA/PACIFIC

Analysis of Changes in ASEAN Foreign Policy

90ON0179A Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 21, 1 Nov 89 pp 8-9

[Article by Lin Xiao?] (2651 1321 character unknown): "Shake Off the Influence of the Cold War—ASEAN Members Adjust Their Foreign Policies"]

[Text] The ASEAN members' foreign policies have long been affected by the cold war. Because of their social systems and ideologies, they have always had a close relationship with the West and their foreign policies very naturally tend to be pro-West. The ASEAN countries are dependent on Western support and cooperation to guarantee their independence and security and prevent their domino-style collapse. Since the Soviet Union's support of Vietnam's invasion of Cambodia and the subsequent establishment of Soviet military bases in Vietnam, the ASEAN countries have become even more dependent on the support of the United States and the West to contain Soviet and Vietnamese aggression and threats.

But relations with the West have changed in the last two years. U.S.-Soviet contention has been replaced by dialogue. International relations between the Asian Pacific and Southeast Asian regions has changed, too. In the wake of these dramatic changes, the ASEAN countries have made sweeping foreign policy changes. These changes will have definite effects on situations throughout Southeast Asia and on other relationships.

Although the ASEAN countries disagree with one another on the approach to and handling of many issues, on the whole, their foreign policy adjustments share many common characteristics.

Distance Themselves From the United States and Improve Relations With the Soviet Union

All indications are that ASEAN members are eager to rid themselves of the influence of U.S.-Soviet contention and to become more independent and autonomous. They want to distant themselves from the United States and improve relations with the Soviet Union.

The ASEAN countries are no longer as dependent on the United States as before. Their conflicts and disputes with the United States have intensified. Even Thailand and the Philippines, which are U.S. allies, and Singapore, which has always had a good relationship with the United States, have displayed clear signs of dissention.

They have come to stress their own national interests and have proclaimed their preference for an all-around foreign policy. President Aquino announced that the Philippines will adopt a policy of "peace and cooperation" toward all nations. Prime Minister Chatichai said that Thailand will abide by the "policy of neutrality." In the Philippines, people realize that as long as the United States retains its military bases there it will be able to meddle in the Philippines' internal affairs, and therefore anti-American sentiments are running high. In Singapore, protest against U.S. intervention in its internal affairs has led to the expulsion of a grade-one U.S. consulate secretary. To accentuate its nonalliance status, Indonesia has given its foreign policy a strong nonalliance overtone. As U.S. influence in Southeast Asia wanes, the ASEAN countries are rushing to shore up their national defense and are studying ways to foster greater cooperation among themselves on defense matters. They are making every effort to end their complete dependence on the United States. Malaysia has purchased \$2.5 billion in weapons from Great Britain. Thailand has purchased large quantities of arms and equipment from its neighboring countries. Meanwhile, because the matter of Vietnamese troop withdrawal from Cambodia has been settled, ASEAN members no longer regard the Soviet Union as a real threat. ASEAN-Soviet relations have clearly improved. Both the Malaysian and Thai prime ministers have visited the Soviet Union. Recently, Indonesian President Soeharto made his very first visit to the Soviet Union since he came to office in 1965. The Philippine president also has plans to visit the Soviet Union in the near future. Meanwhile, Soviet leaders have also been making frequent visits to ASEAN countries in the last two years. Gorbachev's perestroika has received critical acclaim from ASEAN members, who also have high praises for the Soviet Union's new Asian Pacific policy. Today, ASEAN members are taking vigorous steps to develop new economic relations with the Soviet Union and the East European countries. Because these new ties will produce little mutual economic benefit, and because those countries lack hard currency, the future of these bilateral economic relationships is limited, but they have indeed increased bilateral trade, and the Soviet Union and the East European countries have also begun to invest in the ASEAN countries.

Willing To Be Flexible, ASEAN Seeks a Cambodian Solution

The ASEAN countries have, on their own initiative, stopped confronting Vietnam. This is the most remarkable change in Southeast Asia since East-West relations improved. ASEAN has taken a more flexible approach to the Cambodia question, hoping for an early solution, and meanwhile the members are striving to improve their political-economic relations with the Indochinese nations. Supported by other ASEAN countries, Indonesia has hosted two unofficial meetings in Jakarta to discuss the Cambodia question. Indonesia and Thailand have tried repeatedly to bring the leaders of various

Cambodian factions together for talks. The Thai Government has publicly announced that improving relations with the Indochinese nations will be Thailand's top foreign policy priority. Soon after Prime Minister Chatichai took office he visited Laos, and he also plans to visit Vietnam this year. Although Thailand does not recognize the Phnom Penh regime, Hun Sen has made three unofficial visits to Bangkok. The two sides discussed the Cambodia question and trade issues. The Philippine foreign minister visited Vietnam last year to talk about their respective military bases and discussed China's Spratly Islands question. Both sides displayed signs of better relations.

Resolve To Work Toward Greater Economic Development

Economic development has become the first consideration and the goal of the ASEAN countries' foreign policies and security strategies. They have stated clearly that their foreign policies must facilitate economic development. Immediately after Prime Minister Chatichai took office, he announced Thailand's policy toward Indochina of "turning the battleground into a market," making the shift in that country's foreign policy quite clear. The real reason the ASEAN countries are vying with one another to improve relations with the Indochinese nations is for the sake of gaining a better market position in Indochina. In addition, in order to get a bigger market and more funds, the ASEAN countries are upholding the economic guiding principle of diversification and are striving to cement better relations with the Soviet Union, Eastern Europe, Africa, and South America. Despite all these, they have not neglected the United States, Japan, and Western Europe nor abandoned efforts to obtain their economic assistance. Their relationship with these advanced industrial nations is one of cooperation and competition, and at the same time, they also emphasize harmony, striving to smooth out their economic conflicts and differences.

Promoting a "Balance of Power" Policy

To the ASEAN countries, the Asian Pacific region is still dominated by U.S.-Soviet military forces today. But, from the point of comprehensive strength, the region is, in fact, dominated by the Big Four: The United States, the Soviet Union, China, and Japan. ASEAN's guiding principle is not to overthrow these major powers, but to "welcome" them to Southeast Asia. However, they do not want to see any one nation gain supremacy. They want to further promote the policy of "balance of power," striving to make use of the conflicts among the four powers to let them check and balance one another as the way to maximize their own stability and growth. The reason ASEAN has not asked the United States to dismantle its military bases in Southeast Asia is to let the United States and Soviet Union check and balance each other. The ASEAN countries have forged a close relationship with Japan. They have become more and more dependent on Japan for market opportunities, funds, and technologies. But they also fear that Japan will develop

into a major military power and, therefore, they are relying on China, the Soviet Union, and the United States to check the revival of militarism in Japan.

Emphasizing Regional Economic Cooperation

Early last year, ASEAN hosted its third summit meeting and focused the discussions on strengthening ASEAN's internal economic cooperation. The members agreed to further promote the guiding principle of cooperation and set goals and formulated plans to be accomplished within the next five years. As international economic relations develop rapidly into regionalism with the formation of economic blocs, the ASEAN countries are maintaining a positive stance while acting with caution. ASEAN supports regional cooperation in the Asian Pacific region in principle, but opposes the formation of monopolistic blocs. It wants to emphasize cooperation among its own members. The ASEAN countries are members of the "Pacific Economic Cooperation Council" and play an active role in that organization, but they insist that ASEAN comes first on any matter of cooperation and they insist that the council be unofficial in nature and be loosely organized in form so as to avoid U.S. and Japanese control and manipulation. As for the ideas of an "economic circle," "Asian Pacific economic cooperation forum," and "U.S.-ASEAN free-trade zone" as proposed recently by Japan, Australia, and the United States, respectively, ASEAN is taking a cautious position. Provided that ASEAN's status and interests are not compromised, ASEAN countries have agreed to participate in the minister-level, 12-nation Asian Pacific Region Economic Cooperation Conference, to be held in Australia in November of this year.

No Stopping Despite Difficulties

The ASEAN countries have made extensive adjustments in their foreign policies, but if we look at the big picture, there are many limitations, and their effectiveness is difficult to predict at this point.

Today, although the situation in Southeast Asia has eased, U.S.-Soviet contention in Southeast Asia has not ended. The U.S. military bases in the Philippines and the Soviet bases in Vietnam are still contentious. The ASEAN countries are surrounded by U.S.-Soviet military forces everywhere. Under the circumstances, it is extremely difficult for the ASEAN countries to really rid themselves of the effects of U.S.-Soviet contention.

Compared to the past, U.S. influence in Southeast Asia has waned, but it still plays a dominant role. Its military, political, and economic strength and influence surpass by far the Soviet Union's. The United States is in many ways unhappy with the ASEAN countries' foreign policy adjustments, but there is nothing it can do. It is making every effort to hold on to ASEAN and prevent it from getting out of its policy track.

Realistically, ASEAN will continue to rely on the United States and Japan for some time to come. Comparing the United States with Japan, the former's military position

and economic influence in Southeast Asia is on the decline and the latter's economic strength is gaining dramatically, manifesting enormous political and economic influence on the ASEAN countries. In a few more years, Japan may dominate the ASEAN countries' foreign economic relations, and its influence in Southeast Asia will surpass that of the United States.

As for the Cambodia question, because Vietnam wants to protect its vested interests, and because of Cambodia's internal condition and many international factors, it will take time to resolve this issue. At present, ASEAN is hoping to take Indochina into its bosom, and Vietnam too is hoping to seize the opportunity to influence the ASEAN countries.

In short, there are many uncertainties. The ASEAN countries' foreign policy adjustments will run into problems and obstacles. Thus, we have to wait and see what effects the adjustments will have on Southeast Asia's situation. But nevertheless the ASEAN countries' foreign policy adjustments will not stop here.

Sihanoukist National Army Reportedly Blows Up Arms Depot

*OW0202075090 Beijing XINHUA in English
0703 GMT 2 Feb 90*

[Text] Bangkok, February 2 (XINHUA)—The Kampuchean resistance forces blew up Thursday a big arms depot of the Phnom Penh Army in Sisophon, the office of the personal representative of Samdech Norodom Sihanouk in Kampuchea and Asia confirmed here today.

"With the collaboration of some soldiers of the Phnom Penh Army, 6 special commandos of the Sihanoukian National Army (ANS) who sneaked into the town on January 28 blew up early Thursday morning an arms depot inside the headquarters of the 14th Military Region of the Phnom Penh Army in Sisophon, destroying about 1,000 tons of ammunition and weapons," the office said.

"The ammunition explosion lasted for several hours but the details of enemy casualties were not available right now," the office said.

Sisophon, a very important military operation center of the Phnom Penh Army, is situated on the crossroads of Highway 5 and Highway 69 and about 359 kilometers northwest of Phnom Penh.

EAST EUROPE

SHIJIE ZHISHI Reviews GDR Events From Honecker to Krenz

HK0702040690 Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 23, 1 Dec 89 pp 15-17

[Article by Li Lu (2621 6424): "Democratic Germany's Ship of Socialism in a Storm"]

[Text] In the past month or more, the German Democratic Republic (GDR) has begun the process of transferring power from an old to a new generation of leaders. On 18 October, Erich Honecker, who had for 18 years wielded supreme power over the party, government, and military, announced his resignation from his leadership position "for health reasons" at the 9th plenary session of the 11th Socialist Unity Party Central Committee. Egon Krenz, now 52, succeeded him as general secretary of the party Central Committee and chairman of the State Council and of the National Defense Commission. Earlier this year, the 76-year-old Honecker was hospitalized because he was not in good health. Krenz was the youngest member of the Politburo of the Socialist Unity Party. He had acted as the first secretary of the Free German Youth Central Committee. But the transferring of power between two generations of leaders is taking place in a complicated situation never seen before in the country. A grim test awaits the GDR and its new generation of leaders.

From the Fleeing of Citizens to Street Demonstrations

A sudden storm has arisen in the long relatively stable GDR since the beginning of the year, with the appearance of serious social unrest.

The initial sign of unrest was the fleeing of more and more GDR citizens in the largest exodus since the erection of the Berlin Wall in 1961. After Hungary tore down barbed wire fences in May this year, opening up its border with Austria, a particularly large number of people used the excuse of a trip to Hungary to gain access to the Federal Republic of Germany (FRG) via the Hungarian-Austrian border. GDR travelers to Czechoslovakia and Poland also poured into the FRG Embassy in these two countries, demanding access to the FRG. Despite measures taken by the GDR and the temporary closing of previously open borders with these socialist countries, there was way of preventing an increasing exodus. According to statistics, since the beginning of this year, more than 100,000 GDR citizens have left for the FRG.

Troubles followed, one after the other. With the start of September, a wave of demonstrators spread from Leipzig, the second largest city in the GDR, and gradually spread to the major cities, including the capital, Berlin, plunging the whole country into a tense atmosphere. The demands of most of the demonstrators concerned such problems as the development of socialist democracy, implementation of socialist reforms, distribution according to work, improvement of supplies and services, and relaxation of travel restrictions among others. However, some people also put forth slogans opposing the leadership of the Socialist Unity Party, called for freedom of the press, and so on. On 11 October, the Politburo of the Socialist Unity Party Central Committee, after an enlarged session, released a statement expressing its willingness to engage in a dialogue with the people on problems concerning them and appealed to party members to have a responsible attitude

toward the state and the people. It stressed that encroachment on the GDR worker-peasant regime and socialist values, ideals, and accomplishments would never be tolerated.

Differences of Opinion in the Leadership and a Major Reshuffle of Party and Government Organs

Serious social unrest led to differences of opinion among the leadership of the Socialist Unity Party. At the 17 October Politburo conference, members of the leadership debated heatedly among themselves. The conference decided to relieve Honecker and two other Politburo members of their duties. Given the situation, Honecker submitted his resignation to the Central Committee the next day. Krenz, a member of the Politburo, was elected general secretary.

Since 18 October, the leadership organ of the Central Committee of the Socialist Unity Party of Germany had all along been in a state of turmoil. Following the decision of the plenary session of the Central Committee to remove Honecker and two other Politburo members, another five members of the Politburo of the Central Committee resigned on 5 November. On 8 November, the 10th plenary session of the 11th Central Committee of the Socialist Unity Party began. The Politburo announced collective resignations. Eleven Politburo members headed by Krenz and six Politburo alternate members were elected. Two days later, the plenary session announced at its conclusion that four of the newly elected Politburo members and alternate members had resigned. On 13 November, the Central Committee of the Socialist Unity Party again held a plenary session and decided to turn the national party congress originally scheduled for 15-17 December into a special party congress. The aim is to elect a new central committee through a special congress.

While the central organs of the party were being reshuffled, the People's Chamber, the republican government, trade unions, and local party and government organizations were also being reorganized. On 7 November, the Council of Ministers of the GDR, headed by Willi Stoph, collectively resigned. Hans Modrow, formerly first secretary of Dresden and newly elected member of the Politburo, was elected chairman of the new Council of Ministers. A "great coalition government" including various democratic parties and groups was also formed.

Travel Restrictions Removed and Border Opening Announced

On 9 November, the GDR announced that effective that day, citizens were no longer required to apply for a travel visa with special reasons and could henceforth travel in and out of the country as many times as they wished through border crossing points. This decision means that the GDR has actually opened up its border with the FRG and West Berlin.

A spokesman of the GDR Ministry of the Interior revealed that in less than four days, from 9 to 13

November, more than 5 million citizens received personal travel visas. During the 10 November weekend alone (the GDR uses a five-day work week), several hundreds of thousands of people entered the FRG. More than 200,000 of them applied to settle in the FRG. To facilitate people leaving the country, the number of border crossing points to West Berlin were increased from nine to 22. Some districts, cities, and counties have also successively set up more border crossing points leading to the FRG. The mayor of Berlin and the mayor of West Berlin held a meeting at the side of the Berlin Wall. FRG President Weizsacker also crossed the border to visit the Berlin Potsdam Square crossing point and expressed satisfaction with the good cooperation between the GDR border units and the West Berlin police bureau.

After the opening of the border, the number of GDR citizens applying to live in the FRG began to decline and some citizens who had gone to the FRG began to think of returning home. The Red Cross societies of the two Germanys have already reached an agreement to render as much humanitarian aid as possible to the people in transit. From 15 November on, the Red Cross provided nurse's stations at the border crossing points.

Squarely Facing Reality, Promoting Reform

After Krenz took office, he made many speeches analyzing the reasons for the turmoil in society and described his ideas for solving the problems. The 10th Plenary Session of the 11th Central Committee of the Socialist Unity Party formulated a plan of action for reform. The new leadership said that it would face reality squarely and resolutely carry out reform.

The leadership believes that the GDR is in the midst of a "critical and extremely contradictory period" and that the situation is serious. The crux of the problem is that the former party leadership had an unrealistic view of social development, did not adequately develop democracy, made mistakes in economic policy, the party itself lacked criticism and self-criticism, and collective leadership within the party was not ensured.

To overcome the present difficulties, the Socialist Unity Party proposed to first carry out reform of the party so that the working class' role of Marxist-Leninist leadership of society would be improved. The party plans to separate the roles of the party and the government in order to develop democracy and supervision by society. Internally, the party plans to pay attention to the opinions of the minority while also strengthening democratic centralism to improve its ability to fight. The party will engage in dialogue with the people and ensure that its words and actions are one and the same so that it can enjoy the reputation of representing the interests of the people and be able to appeal to them.

The party leadership said that the key issue with respect to the party's role in the political life of the country is its role as the leadership strata of the working class and the need to ally workers, peasants, intellectuals, and all

laborers at a new level. Social democracy calls for the fulfillment of the citizens' wishes in accordance with the constitution and the full play of the citizens' initiative. The People's Chamber will formulate laws based on the needs of the people as well as clear regulations concerning all powers and duties so as to create a socialist country governed by a legal system.

The party leadership also proposed total reform in the economic sphere, using as the key measure the combination of the superior features of the socialist planned economy with the regulatory features of the market economy. The state-run economy will be the foundation of a vital, flexible, vigorous economic system. Economic reform will be conducted under the premise of global liberalization. A top priority will be to adopt emergency measures and stabilize the economic situation.

The party leadership reiterated that it would follow the principle of peaceful coexistence and engage in friendly cooperation with all the countries of the world. It stressed that the two Germanys are each independent, sovereign countries and are willing to continue bilateral relations in accordance with the 1972 Treaty and the 1987 Bonn Communiqué.

Krenz pointed out that ever since the GDR began reform, "we can see an active spirit proposing a more valuable socialism as well as various misconceptions and antisocialist thought that we must be more vigilant against." "We must maintain our vigilance against enemies of socialism who, intending to wipe out socialism, are now wantonly interfering in the internal affairs of the German Democratic Republic." Krenz emphasized, "the type of reform that German Democratic Republic carries out will be determined by the people of the GDR." "Developments in the GDR made in the name of socialism will not renounce the accomplishments of all the people." This is the reform platform of the new leadership in the German Democratic Republic.

Hungarian Party Official Cited on Danger of Restoring Capitalism

*OW0802042290 Beijing XINHUA in English
1307 GMT 7 Feb 90*

[Text] Budapest, February 7 (XINHUA)—Udvarhelyi Laszlo, secretary of the Hungarian Socialist Workers' Party (HSWP) Central Committee, said on Tuesday that the dangerous reality of restoring capitalism exists in Hungary.

Laszlo explained the party's active move in the campaign for parliament election, scheduled to take place on March 25, and stressed that if Hungary opts for the capitalist road, exploitation and unemployment will evolve.

He said that his party has never renounced the thinking of Marxism; they have broken with the mistakes of the past.

New Polish Party Reported Pledging Commitment to Socialism

*OW0102015790 Beijing XINHUA in English
1435 GMT 31 Jan 90*

[Text] Warsaw, January 31 (XINHUA)—The new party, the Social Democracy of the Republic of Poland (SDRP) pledged to undertake a multiparty system at the end of its founding congress Tuesday.

The fledgling party opposes the private economy as the most efficient form of ownership and vows to follow the tradition of Poland's socialist movement, according to its declaration and charter approved at the four-day congress.

The congress also endorsed a series of documents on the domestic situation, foreign policy, economy, education, and culture.

The congress was attended by 1,200 of the 1,637 delegates who had signed up for the final congress of the former Polish United Workers' Party (PUWP), which formally ceased to exist Monday.

The emergence of the new party came against a backdrop of the disbanded PUWP's failure to win popular support in Poland. The party ruled the country from 1948 until turning over power to Solidarity last August when it failed to form a new government.

However, the left wing has been left divided.

More than 100 delegates headed by Tadeusz Fiszbach, a parliamentary leader close to Solidarity, rejected cooperation with the new party and formed the rival Social Democratic Union of the Republic of Poland (SDURP). Another group advocating a "workers platform" also disagreed with the new party's program.

The new party chairman, Aleksander Kwasniewski, expressed regret over the split, hoping it would not affect future dialogues and efforts to form a grand left-wing alliance.

The new leader expressed the party's commitment to broad reforms in order to win a wide social support.

Delegates elected a Supreme Council of 150 members, Central Executive Council, Control Commission and other bodies.

Kwasniewski, 36, and Leszek Miller, 44, were chosen as chairman of the Supreme Council and general secretary of the Executive Council respectively.

Former leader of the defunct Polish United Workers' Party, Mieczyslaw Rakowski, was given the job of editor-in-chief of a new theoretical journal of the Social Democratic Party.

Dissident Ruan Ming Discusses Roots of 1989 Democratic Movement

90ON0191A Hong Kong CHENG MING
[CONTENDING] in Chinese No 145, 1 Nov 89 pp 36-38

[Interview by Ming Lei (2494 5628) with Ruan Ming (7086 6900) in Paris, date not given: "A Member of Hu Yaobang's Think Tank Discusses the 1989 Democracy Movement"]

[Text] On the political stage, there are always heroes both in the footlights and behind the scenes. Whether they play roles with tragic or happy endings, the names of the heroes in the footlights are always known to the world, while the behind-the-scenes heroes go unnoticed despite a lifetime of effort. The subject of this interview, Ruan Ming [7086 6900], is a behind-the-scenes hero in the theoretical arena of the Chinese Communists' reform and opening up. Behind the changing and unpredictable stage of Chinese Communist politics, he has been the silent sower.

It was Ruan Ming who drafted the communique for the 3d Plenary Session of the 11th Central Committee, which laid the cornerstone for the history of reform and opening up by the Chinese Communists. He was considered one of Hu Yaobang's advisers, and he was an intimate comrade-in-arms of Hu Yaobang on the road toward democracy and opening up. In the areas of ideological liberation and democratic consciousness within the Communist Party, he has made great contributions.

Ruan Ming was born in 1931 and joined the party in 1946, after which he spent most of his time doing ideological and propaganda work, especially in the Communist Youth League (CYL) and the Central Party School. He once served as a member of the Central Committee of the 3d New Democratic Youth League (now the CYL), as well as the secretary of the Qinghua University CYL Committee. At the beginning of the Cultural Revolution, Ruan Ming was the director of the Revolutionary Committee of the central Propaganda Department, which was under the leadership of Tao Zhu [7118 6999]. After Tao Zhu's downfall, Ruan Ming was also attacked. He was brought up by Hu Yaobang in 1977 to work in the Central Party School, where he served as the assistant director of the party school's theoretical research branch. After Wang Zhen [3769 7201] became director of the party school in 1982, he immediately broke up Hu Yaobang's team of theoreticians in the party school. Furthermore, he expelled Ruan Ming from the party, stripped him of his job, and prohibited publication of his writings throughout China, calling Ruan Ming a promoter of liberalization. Ruan Ming was invited by Columbia University in the United States in 1988 to teach and do research, where he remains today.

This interview was conducted in Paris. By the time the manuscript was completed, Ruan Ming had already returned to the United States, so he was not able to review it.

Mao Zedong Was the First Promoter of Liberalization

Ming Lei: You were once the chief writer for a team of theoreticians in the Central Party School, and belonged to Hu Yaobang's think tank, which favored the path of democratic reform. What is your opinion of the 1989 democracy movement?

Ruan Ming: I am quite familiar with democracy movements in contemporary Chinese history. In early 1946, I participated in a democracy movement of Chinese students in Shanghai. That was the first democracy movement after the Japanese surrender. It mainly opposed the one-party dictatorship of the Kuomintang (KMT). When I participated in that democracy movement, I learned that the Chinese Communist Party was opposed at that time to one-party dictatorship. They opposed the forced acceptance of one party and one ideology. They advocated democracy, so I became interested in the Communist Party. At that time, Mao Zedong's "On Coalition Government" called for the establishment of a democratic and free China. The democracy that he was talking about was Lincoln's government of the people, by the people, and for the people. The freedom that he was talking about was Roosevelt's four great freedoms. That is to say, that the democracy and freedom spoken of by Mao Zedong back then was Western democracy and freedom. Now Deng Xiaoping says that Western democracy and freedom are inappropriate for China. In this respect he's not as good as Mao Zedong. If there is bourgeois liberalization in China, then Mao Zedong was the first promoter of liberalization!

The Communist Party Betrayed the Goal of Democracy and Freedom

I was deeply affected by the 1989 student democracy movement. The song they sang, "Unity Is Strength," was the same one we sang back when we were carrying out student democracy marches. The difference was that back then it was the Communist Party marching to oppose the KMT. Now it is the youth who have received their education from the Communist Party who are opposing the dictatorship of the Communist Party. It could be said that the ideals that prompt me to support the student democracy movement today are the same ones that I held as a youth, while those forces within the Communist Party that oppose the democracy movement have betrayed the Communist Party's original goal of democracy and freedom.

The Progressive Significance and Shortcomings of the 1989 Democracy Movement

Ming: You belonged to the democratic faction in the party's theoretical circles. On issues dealing with democracy, you were a comrade-in-arms of Hu Yaobang.

Please compare the 1989 democracy movement with earlier democracy movements.

Ruan: The 1989 democracy movement had very progressive significance in one sense—its independent form of organization. Democracy movements prior to the 1989 democracy movement did not have that type of independent organization. They were generally just a sort of call or demand for democracy made in hopes that the party would clean up its act or carry out reform. All hope was placed in a reform faction within the party. If the party accepted their opinions, as with the 3d Plenary Session of the 11th Central Committee, that was very well, but if the party was unreceptive, as when Deng Xiaoping's attitude changed after the Sino-Vietnamese war, they would be suppressed.

However, the 1989 democracy movement also had a major shortcoming. It was very unclear in terms of ideology, theory, program, and strategy. The goal was more unclear than that of any other democracy movement. For example, the goal of the May 4th Movement was science and democracy. This goal is just as clear today. The December 9th Movement opposed KMT dictatorship and its sellout of the nation. The 1976 Tiananmen Incident opposed the gang of four. The 1979 Democracy Wall Movement called for democracy, rule of law, and human rights. They all had clear goals. The slogans of the 1989 democracy movement changed a lot. They were primarily opposed to bureaucratic speculation, but that's not the root problem. It is a result of the political system. Overall, the 1989 democracy movement did not put forward a clear goal or program on how to bring an end to the dictatorship. In terms of strategy, they never stated with whom they intended to ally and who they opposed. You have to realize that making alliances and maintaining independence are not mutually exclusive. This ideological confusion also existed among the intellectuals who participated in the 1989 democracy movement.

New Authoritarianism Split the Intellectual Community

Ming: You are a theoretician of democratic reform. I would be very interested to know your view of new authoritarianism and its effect on the future of Chinese democracy.

Ruan: During the period prior to the 1989 democracy movement, new authoritarian thought was extremely prevalent. New authoritarianism is antidemocratic. They want an enlightened dictatorship. They want to liberalize the economy and maintain a dictatorship. The Chinese intellectual community is split into a democratic reform faction and a new authoritarian faction. The new authoritarian faction believes that what the democratic reform faction says is just empty talk, and that only new authoritarianism can actually solve China's problems. This was the chaotic ideological milieu in which the 1989 democracy movement exploded.

The 1989 Democracy Movement Marked the Failure of New Authoritarianism

New authoritarianism holds that China can achieve only a democracy of the elite, not of the masses. In reality, democracy is a thing of the masses. There is no such thing as democracy of the elite. Democracy of the elite is dictatorship. Who is the elite? Why are they the only ones who can have democracy? And why are the masses regarded as ignorant people with whom no discussion is necessary? I've read some essays which argue that failure was inevitable for the 1989 democracy movement because China's middle class is too weak and private ownership is too limited. If this is so, then what is the use of engaging in a democracy movement now? We might as well set up a business, develop the middle class, and forget about anything else. They don't understand that, in a nation of public ownership that has been under communist rule for decades, the system of private ownership and the middle class cannot possibly be developed unless you first establish democracy. Just ask yourself whether the system of private ownership or the middle class can possibly be developed to any significant degree under the Li Peng regime? The new authoritarian faction is always talking about intellectuals and the middle class. The fact is that in a country like China, which has been under a dictatorship for a long time, democracy has become a universal demand among the people. Workers, peasants, and rank-and-file soldiers are all longing for democracy to come and protect their fundamental interests. The extent to which the masses participated in the 1989 democracy movement demonstrated the failure of new authoritarianism.

The Product of Intraparty Struggle

In reality, new authoritarianism is a by-product of intraparty struggle, not really a theory developed in an effort to establish Chinese democracy. The people in Zhao Ziyang's faction thought that they would be able to fend off interference by their political enemies by building up Zhao Ziyang's authority and oppose the expression of the people's opinions. In reality, the appearance of new authoritarianism caused Deng Xiaoping to ally with the conservative faction at the same that it split democratic forces, which was advantageous to forces advocating dictatorship. This is truly one of the important lessons to come out of this democracy movement.

The Key to the Democracy Movement After 4 June Is Still Within China

Ming: I've always felt that the key to the democracy movement is within China, and that the best one can do from abroad is to play a supporting role. Will it be possible for the democracy movement to continue to develop within China after the 4 June massacre?

Ruan: I feel that the key and the center of gravity of the democracy movement is still in China. Although a small number of people who played very important parts in the democracy movement have fled abroad, most have not

yet escaped. It appears on the surface that Deng Xiaoping, Li Peng, Yang Shangkun, and their ilk have won, but in fact they have been defeated. First of all, the people have turned against them. Second, they split the Communist Party. A large part of the cream of the Communist Party sided with the democracy movement and disapproved of the 4 June massacre. Democracy will continue to have opportunities to develop within China. Pressure from within China and from abroad will not allow the Li Peng regime to maintain its repressive tactics for long. I don't believe that the fact they killed that way on 4 June means that they will do so every time people march in the streets. Li Peng and the others paid a huge price for the 4 June massacre, and they will change their strategy and tactics. In the future, the democracy movement within China can also adopt flexible strategies and tactics, and the democracy movement abroad can provide support.

Wei Jingsheng and Others Are Above the New Authoritarian Elite

In the future, the direction taken by the democracy movement will have to take the strength of the masses into account. A democracy movement that does not ally itself with the strength of the masses cannot go anywhere. Some people say that the Chinese masses—the workers, for example—don't have enough knowledge to be able to understand democracy. The knowledge of many workers seems quite good to me. For example, the people who wrote the Li Yizhe big-character poster and Wei Jingsheng were all workers, and their understanding of democracy was far more advanced than that of the new authoritarian elite, who are just like the strategists of Yuan Shikai.

The 3d Plenary Session of the 11th Central Committee Opened the Prologue for Ideological Liberation

Ming: The 3d Plenary Session of the 11th Central Committee was a landmark in the Chinese Communist's implementation of reform and opening up. You could say that since the 4 June massacre, the spirit of the commune of the 3d Plenary Session of the 11th Central Committee has completely vanished. As the drafter of that commune, can you say something about that meeting?

Ruan: People used to say that Deng Xiaoping set the plan for the following 10 years of reform during the 3d Plenary Session of the 11th Central Committee in 1978. That wasn't really the case. I participated in the drafting of the commune for the 3d Plenary Session of the 11th Central Committee, as well as the drafting of Deng Xiaoping's speech. At the time, we wrote primarily about two points: ideological liberation and democracy. We didn't really get into concrete discussion about how to carry out agricultural or urban reform.

The Democracy Wall Changed the Direction of the 3d Plenary Session of the 11th Central Committee

The Xidan Democracy Wall Movement did a lot to change the course of the 3d Plenary Session of the 11th

Central Committee. The 3d Plenary Session of the 11th Central Committee, which took place at the of 1978, was chaired by Hua Guofeng, and the original agenda called for discussion of Hua Guofeng's report, which was about the principles of "grasping the key link of class struggle and bringing about great order across the land" and "the two whatevers." Because of the democracy wall, everyone voiced their views concerning the democracy wall. Ye Jianying, Hu Yaobang, and the people from the Central Party School all supported the democracy wall. The opinion of the majority forced the 3d Plenary Session of the 11th Central Committee to turn into a great meeting in support of ideological liberation and democracy. After the direction of the meeting changed, Wang Dongxing's [3076 2639 5281] group, which was to have drafted the documents originally, could no longer handle the task. Deng Xiaoping then turned to Hu Yaobang, who delegated to me the task of drafting the commune for the 3d Plenary Session of the 11th Central Committee as well as Deng Xiaoping's speech. It was in this spur-of-the-moment manner that we drafted the historical document that overthrew "the two whatevers" and set the course for future reform and opening up. Ye Jianying said once to us that "the Xidan Democracy Wall set the standard for democracy among the people, and the 3d Plenary Session of the 11th Central Committee set the standard for democracy within the party." Democratic reform forces within the party praised the democracy wall movement for its role in overthrowing the whatever faction. It could be said that without the democracy wall, the final commune of the 3d Plenary Session of the 11th Central Committee would not have come about. This commune was the theoretical basis for beginning reform and opening up throughout the country, as well as a guiding document.

The Reform Policies Were Not All Handed Down From Above

Also, you cannot say that the 3d Plenary Session of the 11th Central Committee or the ensuing economic reform policies were all handed down from above. They were, in fact, the result of the union of democratic reform forces within the party with the democracy movement in society. Even the rural reforms came about because the peasants first demanded them. Only later did those higher up approve them. The political atmosphere at that time was the best it has ever been, and it was relatively normal.

The Conservative Faction Is Worried About the Appearance of a Solidarity in China

Ming: You could say that Deng Xiaoping has betrayed his own ideals and disappointed the hopes once cherished by the democratic faction within the party and by the people.

Ruan: Deng Xiaoping was aware that structural reform had to be carried out in order to deepen economic reform. He stated in his "Reform of Party and State Leadership Structure" in 1980 that it was necessary to

oppose dictatorship, whether it be feudal dictatorship or a Stalinist centralized system. Not long after he said this, though, antireform forces within the party, such as Hu Qiaomu, Deng Liqun, and Chen Yun, rose in opposition. They cited the existence of Solidarity in Poland at that time as the reason for their opposition. They said that if China introduced democracy another Solidarity would appear, and that a Polish incident would occur no matter how far China took its reforms. In December 1980, a central work conference was held, during which Chen Yun stated the need to oppose bourgeois liberalization. At that time, Deng Xiaoping surprisingly threw his support behind Chen Yun. They began in 1981 to refer to democracy wall publications as underground publications, though they had originally called them civilian publications. Later they called them counterrevolutionary publications, banned them all, and democracy activists were arrested. Once political reforms came to a halt, economic reforms strayed from the proper path. The source of the shortcomings that later appeared in the course of economic reform lay in the fact that political reforms were not carried out at the same time.

Hu Was the Only Leader Within the Party To Stand for Democratic Ideals

Ming: Many people believe that Hu Yaobang was the standard bearer of democracy within the Chinese Communist Party. Do you agree?

Ruan: Hu Yaobang was the only leader within the Chinese Communist Party who stood for democratic ideals. I began to work with him in the 1950's. After I went to work in the Central Party School, he often discussed various issues with me in private. He was already worried in 1977 about why the issue of democracy hadn't been resolved in any socialist country, and he asked me to write essays on the subject. What Zhao Ziyang wanted was government by a strongman. He only carried out economic reform. In the political arena, he didn't want democracy.

Wang Zhen Has Said That Anyone Who Asks for Democracy Is Opposed to Communism, and Should Be Killed!

Ming: Finally, could you, in passing, tell how you were expelled from the party?

Ruan: From 1977 to 1982, Hu Yaobang was deputy director of the Central Party School. In 1982, Chen Yun and Deng Liqun wanted to wrest power from Hu Yaobang, including his team of theoreticians in the Central Party School. They sent Wang Zhen to serve as director. At the time, Chen Yun told Wang Zhen that he wanted to build the Central Party School into another Huangpu Military Academy, meaning that he wanted to cultivate a clique of "troops" under his own control who would constitute an antireform force. As soon as Wang Zhen arrived at the party school, he broke up Hu Yaobang's theoretical research department, got rid of anyone who had participated in the drafting of documents for the 3d Plenary Session of the 11th Central

Committee, and tried to expel me from the party. He said I was a promoter of liberalization and had written anticommunist essays. I said I was only supporting democracy. Wang said that anyone who asks for democracy is opposed to communism, and should be killed! Also, because early in the Cultural Revolution I was the director of the Revolutionary Committee of the Central Propaganda Department, which was under the leadership of Tao Zhu, Wang Zhen actually said I was a member of a rebel faction. Finally, Wang Zhen used Chen Yun's three phrases regarding the handling of my situation (Ruan Ming cannot stay in the party; Ruan Ming cannot remain in the party school; Ruan Ming's essays cannot be published anywhere in China) to force everyone to declare their position. Anyone who disagreed with my expulsion from the party would have been refusing to go along with the central leadership. In this manner, my expulsion from the party was agreed upon, and I lost my job at the party School.

Ming: Thank you for accepting this interview by CHENG MING.

Ruan Ming Defines Strategies of Democratic Movement

90ON0192A Hong Kong CHING PAO [THE MIRROR] in Chinese No 32, 15 Oct 89 pp 44-47

[Article by Ruan Ming (7086 6900): "A Discussion of the Current Goals and Strategies of the Democracy Movement"]

[Text] The 1989 democracy movement in Beijing was one of the greatest democracy movements in terms of size, but one of the weakest in terms of ideology. The reason it was so broad in scope is because of the strength displayed by its independent organization, its excellent discipline and order, and support from society, which was won on the strength of the movement's method of peaceful struggle. This step forward marked the beginning of a new era. The movement's ideological weakness was demonstrated by the fact that it lacked clear goals and strategies.

The Unclear Goals and Strategies of the 1989 Democracy Movement

The historical May 4th Movement had a very clear ideology: democracy and science. Even today, this ideology has not yet worn thin.

The historical January 29th Movement also had a very clear ideology: democracy and resistance against the Japanese, enlightenment and national survival, and opposition to the dictatorship's doctrine of nonresistance. The assertion that "the need for national survival pushed aside the quest for enlightenment" is not in line with historical reality.

From 1945 to 1949, the ideology called for the establishment of an independent, free, democratic, unified, wealthy, and powerful China. It called for the overthrow

of the rule of the dictatorship which only allowed "one leader, one doctrine, and one party."

The goal was clear: to achieve an alliance to oppose the dictatorship and the traitorous government.

Even the completely spontaneous April 5th Movement had relatively clear goals and strategies. The goals: To bring an end to China's "Age of the First Emperor of Qin," and to achieve democracy and modernization. The strategy: To create an alliance to overthrow the gang of four.

What was the goal of this last democracy movement? What was its strategy? The matter is unclear.

Was it democracy? Or was it enlightened dictatorship, a "new authoritarianism?" Its goal was unclear. Among the theorists of the democracy movement, there were those who hold that democracy is an impossibility before the middle of the next century. Could it be true that those heroic sacrifices were made for the middle of the next century? There was a very singular slogan, "Sacrifice is the highest principle of nonviolence!" What does that mean? It is very hard to understand.

And how about the strategy? It included everything from rallying around Deng Xiaoping to overthrowing the Communist Party. This was still apparent from the speeches that were made during a conference on theory held at Stanford University.

An important problem is the lack of analysis. No one has done any analysis, including those who hold that democracy is not appropriate for China, those who advocate overthrow of the Communist Party, and those who want to rally around Deng Xiaoping. They have not analyzed the Communist Party, Deng Xiaoping, or society.

There Are at Least Four Factions in the Chinese Communist Party

Some call for the overthrow of the Communist Party, but what is the Communist Party?

There are at least four factions within the Communist Party.

The first faction is the democratic reformers, or the across-the-board political and economic reformers. The strength of this faction within the Communist Party must not be underestimated. Hu Yaobang was the standard bearer of this faction. Hu Yaobang's goal for reform, to use his own favorite description, was to make China "a modern socialist nation with a high degree of democracy and a highly developed civilization." Hu Yaobang's concept of democracy included values that conflict with an autocratic system: human rights, freedom, equality, and universal brotherhood. He once proposed that all the important values of human civilization since the Enlightenment be written into the "Resolution on Spiritual Civilization," whose drafting he presided over in 1986, but he did not succeed. His proposals were not included in the resolution. On the

contrary, the principle of "opposing bourgeois liberalization" was adopted, which was diametrically opposed to his ideas. This was a major ideological controversy which occurred during the summer of 1986, from Beidaihe until the 6th Plenary Session of the 12th Central Committee in Beijing. Hu Yaobang did not actually advocate that socialism be abandoned. However, the socialism that he advocated, one with a high degree of democracy and civilization, was fundamentally different from the autocratic, cruel, ignorant, and impoverished socialism of Stalin and Mao Zedong. The former type of socialism has never actually existed, but Hu Yaobang believed that it ought to be achieved. Hu Yaobang's thought was not very similar to Deng Xiaoping's "white cat, black cat" idea or Zhao Ziyang's pursuit of expedience. He was a thinker with an idealistic streak. Although he failed politically, he left behind a certain spiritual strength to which people are attracted. The democracy movement entered a 50-day high tide following his death.

The various factions within the Communist Party are now drawing conclusions from the democracy movement as well. In the Conference of Heads of National Organizations, the conclusion put forward by Song Ping was quite noteworthy:

"Many of those who instigated, planned, organized, and led the recent turmoil and rebellion were Communist Party members. Of the more than 20 people named in Chen Xitong's [7115 1585 0681] report, the great majority are Communist Party members. Some joined the party decades ago. Some work in core organs of the party and the state and hold important positions of leadership. Some are very influential and well known.

"From the unrest's earliest festering through its outbreak, escalation, and final fermentation into a counter-revolutionary rebellion, the problem came primarily from within the party.

"Some party organizations and leading party cadres wrote and distributed statements, fliers, and letters against the party, openly opposing the central leadership. Some leading party cadres led or supported illegal marches, expressed support for the activities, opposed the editorial of 26 April, and opposed martial law. Some party members created and spread rumors during the turmoil and rebellion. Some party members wavered politically during key points in the struggle, and spoke of quitting the party. Many party members forgot that they were party members at the moment when the survival of the party and the nation hung in the balance. They cast to the winds all concept of the welfare of the party and the people, all party principles, and all organizational discipline. They listened to no persuasion as they participated in illegal marches and expressed support for the activities."

And how about the central leadership? "Zhao Ziyang, the general secretary of the party, committed the error of supporting unrest and dividing the party at a time when

the survival of the party and the nation hung in the balance. He bears undeniable responsibility for the outbreak and intensification of the unrest."

What is the situation now? "The most serious part of the problem is that after the 4th Plenary Session of the 13th Central Committee party organizations and leading cadres in some departments either continued to protect people who had serious problems during the unrest and rebellion, or minimized their problems in a most cavalier fashion. We must not underestimate the effect of 70 eventful days (from the death of Hu Yaobang to the close of the 4th Plenary Session) on people's thought as well as on their entire lives."

This is the analysis of the oppressors. It was the Communist Party which launched the recent democracy movement, and it was the Communist Party which suppressed it. If you act without analysis and overthrow the Communist Party, you will destroy the alliance with the most powerful democratic force in the recent movement.

There Can Be No Appropriate Strategy Without Analysis

The second faction consists of new authoritarian reformers. Neither Zhao Ziyang and the people in his think tanks nor the "elite" are democratic reformers. They should be classified as new authoritarian reformers. It is apparent that their objectives are different from those of the first faction in the Communist Party. They advocate an enlightened despotism and oppose democracy, or at least feel that it is not appropriate for China at this point. However, they approve of economic reform, whence the so-called "honeymoon between economic liberalism and political despotism," which Tarig Ali has termed "market Stalinism." The report to the 13th National People's Congress that Bao Tong [7637 1749] drafted for Zhao Ziyang is a representative work of market Stalinism. The so-called two fundamental points—economic reform and opening up, and opposition to political liberalization—are their proud creation. They used this two-edged sword to strike in one direction at Hu Yaobang and in the other at Deng Liqun.

The third faction consists of old authoritarian reformers. In terms of theory, there is no major difference between this faction and the new authoritarians. On 3 March 1989, Zhao Ziyang outlined the theory of new authoritarianism to Deng Xiaoping. He stated that there is a new theory in the West that underdeveloped countries should not implement Western-style democracy in the midst of modernization, but should opt for concentration of political power in the hands of a strongman. Deng Xiaoping answered, "That is my position." However, he does not approve of the term "new authoritarianism." He said, "We should think some more about the actual term." He prefers to use such language as "uphold the four basic principles" and "oppose bourgeois liberalization," thus adopting language which approximates that of the fourth faction.

The fourth faction consists of those opposed to reform. Their leader is Chen Yun, and the faction includes Yao Yilin in the economic sphere, Deng Liqun and Hu Qiaomu in the political sphere, and Yang Shangkun and Wang Zhen in the military sphere, as well as their main player, Li Peng.

In addition to these four factions, there may be a fifth—the muddleheaded faction. I will not deal with them.

If you charge ahead without making any analysis and overthrow the first and second factions, that is the same in reality as allying with the third and fourth factions.

If you hope to end the autocratic rule of the third and fourth factions, you must ally with the first and second. After you calculate the power of the various factions, it is apparent that even if you ally with the first and second factions, you cannot end the autocratic rule of the third and fourth. You would have to ally with the first, second, and third to isolate the fourth.

If you overthrew them all, it might feel satisfying, but the actual result might be the same, unfortunately, as if you had allied with the fourth faction.

There are also some who advocate letting the Kuomintang (KMT) overthrow the Communist Party. Could the KMT pull it off, though? They might dream of it, but they would never do it. They don't even have the courage to host a visit by democracy movement activists.

You must also analyze society.

The new authoritarians recognize the bosses of private enterprise and the bourgeoisie, but no one else, as democratic forces. This divorced the democracy movement from a real source of support.

The Democracy Movement Should Not Disregard Workers and Peasants

The workers stirred to action rather late in the 1989 democracy movement, but once mobilized they were very resolute. The recent democracy movement did not voice the political demands of the workers and peasants. The workers joined the movement as supporters of the students, and they made great sacrifices. When Mao Zedong demanded democracy from KMT despots, he stated that the workers were the most thoroughly democratic faction, and the peasants were the largest democratic faction. This analysis was generally correct. Our democracy movement activists of today have not surpassed the understanding of the Mao Zedong of yesteryear. Underestimating the workers and peasants, concentrating solely on intellectuals and the bourgeoisie, and disregarding the importance of an alliance between intellectuals and workers and peasants can only isolate the democracy movement. The economic position of China's workers and peasants during the 10 years of reform and opening up has undergone great changes, and their level of education has risen. They can not be

dismissed as "200 million illiterates." There are another 800 million who are not illiterate!

There are two alliances that are key in determining whether the democracy movement will defeat the anti-democratic forces and end the system of autocratic rule: one is between the democracy movement and the democratic and reform factions within the Communist Party; the other is within the democracy movement, among the intellectuals, entrepreneurs, and the workers and peasants. The democracy movements in the Soviet Union and Poland are moving toward these two alliances. We must take note of their experiences. We must not let ourselves be poisoned by new authoritarianism and think only of capitalists and the system of private ownership.

In the recent movement, the intellectuals were split organizationally and ideologically. There was a democratic faction, a new authoritarian faction, an old authoritarian faction, and an antireform faction, just as within the Communist Party.

Within the entrepreneurial community there is also a split between the supporters of democracy and the supporters of new authoritarianism.

Therefore, the thought that intellectuals and entrepreneurs are progressive forces, and that workers and peasants are conservative forces, does not reflect the reality of Chinese society. There were opportunities during the course of the 1989 democracy movement to achieve an alliance between the intellectuals, entrepreneurs, and workers and peasants; an alliance between the democracy movement and democratic and reform elements within the party; and an observance of neutrality by the military and the police. The fact that these two alliances were not achieved is due not only to subjective factors, such as the lack of clear goals and strategies, but also to objective factors. Neither side had foreseen the way the incident would develop.

Now that both sides have been through one incident, it remains to be seen which will do a better job of drawing a lesson from this experience, and who will prepare best for the next historical opportunity.

Was This a Victory for the Suppressors of the Democracy Movement?

Do not believe that the suppressors of the democracy movement achieved victory; they in fact suffered a crushing defeat.

First, as Song Ping himself admitted, the elite of the Communist Party sided with the democracy movement.

Second, massacres, manhunts, executions, and purges cannot keep the people or the party down.

Third, the dictatorship has lost its legitimacy among the people and within the party, and is more unstable than before the suppression of the democracy movement.

Fourth, it has been isolated internationally.

Fifth, the role of the military in future contests of historical significance is a question mark. That is to say, it will not necessarily be possible to send in hundreds of thousands of troops and use tanks and machine guns to massacre unarmed people—to fight a "third Huaihai campaign" as it were—whether Deng Xiaoping is still alive or not.

Of course, they could change their strategy. They could adopt the more effective methods of new authoritarianism, for example, to carry out oppression. In fact, Li Peng said that they used real guns and bullets to kill people because they didn't have rubber bullets and because tear gas would not have been effective. Li Peng could introduce production lines for rubber bullets and tear gas to replace the color television and refrigerator production lines of Hu Yaobang. This is the difference between Li Peng's "bitter struggle" and Hu Yaobang's "high consumption."

New Authoritarians Also Suffered a Big Defeat

First, the intellectuals and reform elements within the party have been split. On the eve of the 1989 democracy movement, reform elements within the party had split ideologically into the democratic reform faction and the new authoritarian faction. Many of the famous intellectuals who participated in the democracy movement in Tiananmen Square and signed the declaration of democracy are enthusiastic proponents of an "enlightened despotism." This made the recent democracy movement the most independent and the largest in terms of organization and size, and the least independent and weakest in terms of ideological guidance. It lacked the immense and confident democratic spirit of the May 4th Movement, the April 5th Movement, and the Xidan Democracy Wall.

Second, they cut themselves off from the strength of the democracy movement's societal base. The new authoritarians called for a "democracy of the elite" and opposed "democracy of the masses," creating a barrier between the intellectuals and the common people who participated in the movement. What the common people were demanding was a democratic government in which the masses could participate. They acknowledged the need of students, workers, and the intellectual community to form associations and to enjoy freedom of speech, freedom of the press, and so forth. The new authoritarians, on the other hand, acknowledge only that "those within the power elite," "entrepreneurs," and the "elite within the intellectual community" are "China's backbone."¹ The new authoritarians feel that "for a long time an elite minority will have to occupy positions of leadership and represent the interests of the majority, controlling the direction of the country's development" because the level of understanding of the people is too low.² This deprived the party "elite" of a common ideological base with those elements from society which

participated in the movement. It was difficult for them to communicate or establish an alliance that could defeat the antireform forces.

Third, an alliance between the antireform factions and Deng Xiaoping was precipitated. The new authoritarians gave the antireform forces a perfect excuse: the so-called effort to "rally around Zhao and overthrow Deng." Wasn't it you new authoritarians who were advocating "worshipping rules and monopolizing powers," and opposing "the two power centers" and "interference by the Empress Cixi in government?" Isn't that incontrovertible proof of Zhao Ziyang's ambition? This was the trump card played by the antireform forces in striking an alliance with Deng Xiaoping. In reality, Zhao Ziyang would not dare to overthrow Deng. At a time when he was well aware that he did not enjoy Deng's good graces, he obsequiously asked Yan Mingfu to relay the message to Yang Shangkun that he wished to go with Yang to see Deng Xiaoping. He hoped that Deng Xiaoping would make a statement regarding the 26 April RENMIN RIBAO editorial to the effect that "the seriousness of the situation had been a bit overestimated."

Fourth, it limited the outlook of Zhao Ziyang and the "elites" around him. They became so shortsighted as to look upon the democracy movement as nothing more than a bargaining chip in intraparty power struggles. They never thought of actually using the strengths of the peaceful, rational, nonviolent democracy movement (including the powerful mechanism of journalistic freedom) to strike a decisive blow against the autocratic system. This is not strange, though, because new authoritarianism is one form of political autocracy. The "elites" boasted, "We aren't to be taken lightly. Zhao Ziyang, in particular, is a formidable politician. I'll tell you one thing: Comrade Zhao Ziyang has said that if everybody treats each other civilly, there will be no problem. The 'well water needn't mix with the river water' [no one needs to interfere with anyone else]. But if they make me lose face or try any tricks, I'm here to tell you that I won't just sit on my hands waiting for them to do me in. I'll raise hell if I have to." Unfortunately for Zhao, when Li Peng made him lose face, he didn't raise any hell, and the only other option was to sit on his hands and wait for them to do him in. This is the tragedy of new authoritarianism.

The Three Offensives Required To Defeat Autocracy Through Peaceful Means

One possible danger is that the oppressors could get smart while the democracy movement turns foolish. The oppressors could switch to modern methods, while the democracy movement adopts ancient ones. One example is the current line of thought, which opposes nonviolence and alliances.

A cable from Paris claimed that when the Federation for Democracy in China failed to advocate "overthrow of the Communist Party" in its platform, and when it adopted a policy of "peace, reason, and nonviolence," it

did not reflect the wishes of 90 percent of the Chinese people in the mainland. The cable claimed that the 4 June massacre showed that a peaceful, rational, and moderate movement is no longer feasible, and that the first step in achieving democracy is make a clear call for the overthrow of the Communist Party. It stated that the people must be willing to use armed force to overthrow the autocratic government.

This reminds me of a slogan used by the Communist Party in the 1960's and 1970's ("We must liberate Taiwan") and another used by the KMT during the same time period ("Retake the mainland by military force"). These slogans are not shouted any longer. I hope the democracy movement will not adopt tactics that the regimes on both sides of the Taiwan Strait abandoned long ago, but will do something more practical.

I have previously spoken of the three opportunities to take the offensive by which the resistance of the autocratic regime can be overcome in a peaceful, rational, and nonviolent manner.

We must use dialogue to achieve an alliance of the democracy movement with democratic forces within the party.

We must take the offensive in legal affairs to prevent improper actions by the autocracy.

We must go on the offensive by using modern mass media to organize the people.

I shall not go into detail here. The most important thing we must do if we are to go on the offensive in these three areas is to lay a solid foundation. We must address ourselves not only to intellectuals and the entrepreneurial community, but to workers, peasants, and the military. If the foundation had been laid and we had gone on the offensive in these three areas, the recent democracy movement might have succeeded. Of course, the situation will be different next time. The anti-democratic forces will have made some progress. They may replace tanks and machine guns with rubber bullets and water cannon. They may arrest large numbers of leaders and people who participate in various activities, and they may strengthen control over the mass media. In general, however, there is a wider range of choices available to the democracy movement than to the oppressors, and the democracy movement's chances of success are somewhat greater.

As for how to establish a democratic system after the initial success of the democracy movement, that is a much more complex issue which I will not discuss here.

I hope that these proposals of mine will be refuted by those who advocate violence and oppose alliances. I particularly hope to see how violence and nonalliance will achieve the goal of democracy. If it cannot achieve that goal, then the statement that "the greatest principle of nonviolence is sacrifice" is applicable, except that one prefix would have to be removed: "The greatest principle

of violence is sacrifice." The Chinese people have sacrificed enough for democracy, including the most recent incident.

We will not necessarily achieve the goal of democracy more effectively by spilling blood than by conserving it.

Footnotes

1. See Liu Yong [0491 0516] and Li Lin [2621 2651]: *The New Authoritarianism*, p 102.

2. Ibid, p 248.

Cadre Problems Seen Rooted in Poor Ideology, Discipline

90ON0227A Beijing ZHONGGUO JINGJI TIZHI GAIGE [CHINA'S ECONOMIC STRUCTURE REFORM] in Chinese No 11, 23 Nov 89 pp 42-43

[Article by Xu Dabo (1776 6671 2672): "Cadres' Undesirable Attitudes Must Be Corrected"]

[Text] Certain new conditions and problems are now appearing among China's cadres, the major ones being the following five undesirable attitudes:

1. A stronger interest in oneself than in a collective consciousness. Some cadres lack an overall point of view and often emphasize departmental or regional interests when carrying out directives from superiors. Some put their personal ideas first, focus on their "personal interests" when handling or deciding issues, and do not listen to collective views. Others are intolerant, being jealous of other's virtues and critical of their defects, and do not have confidence in or understanding and support for their comrades.

2. A stronger interest in democracy than in centralism. This comes in the following two categories: a) Some cadres want only democracy but not centralism. They demand increasing democracy from their superiors, but are unwilling to carry out the decisions of higher organs or the party's principles and policies. Sometimes they take an attitude of feigned compliance and pragmatism and carry out only those policies that benefit themselves, even to the point of saying that they "have ways to get around the government's policies." Not only do they not unite to thoroughly carry out the orders of the party Central Committee and State Council, but they do not even fully implement the principles and policies of local party committees and governments. b) A few cadres emphasize democracy but not centralism in their work, and refuse to pool the correct ideas of the masses. Instead of guiding, some leading cadres shirk their responsibility to the masses and let them freely discuss everything that comes up, because they are afraid to offend or they will be unable to handle certain "hard-heads."

3. A stronger interest in studying science than in studying Marxism-Leninism. The study of Marxism-Leninism is basically not mentioned in some units and

departments. Some professional and technical organizations regarded the study of Marxism-Leninism and Mao Zedong Thought as a joke for a time. Some specialists and technicians who depend on technology to make a living think that the study of Marxism-Leninism is unrelated to them. Some ordinary cadres think that it is better to learn more science than to study Marxism-Leninism in this age of exploding knowledge. Some leading grassroots cadres wonder where the time can be found to study Marxism-Leninism when there is so much work to be done, and think that studying Marxism-Leninism is the job of senior cadres.

4. A stronger interest in earning diplomas than in using intellectual capacity. Some cadres have an incorrect guiding ideology, often studying simply to earn diplomas, instead of paying attention to improving their intellectual capacity. Since they think that they have achieved the height of success once they have earned a diploma, they slacken up, become too lazy to use their brains in their work, get very busy with just going through the motions, and basically do not think about using the knowledge that they have learned to come up with new ideas or new work plans.

5. A stronger interest in material gain than in ideology. Some cadres show less interest in the ideals of the people, the collective, the state, and communism than in the ideas of children, houses, and money, and they blindly pursue their own material comfort. A few cadres have become complete slaves to money and will do anything to get "illegal profits" by embezzling, taking bribes, extortion and blackmail, misappropriating public property, and even engaging in speculation and profiteering.

Although there are many factors involved in the appearance of these problems, I think that the four major ones are as follows:

1. Some cadres have such a poor foundation in Marxist theory that they are unable to use the Marxist stand, viewpoint, and method to study and analyze problems, and are not even able to distinguish right from wrong or good from bad whenever any issues arise.

2. The lack of comprehensive, thorough, positive, and effective political and ideological work has left cadres unable to stand up for what is right in the following ways: a) Propaganda has been one-sided and has affirmed only one aspect. Personal interests and material benefits were improperly emphasized for a time, and propaganda was directed too much toward "making money" and too little toward making contributions. Certain dark aspects of society have been overemphasized, and some propaganda has left cadres unable to guess which principles they should actually uphold. b) There has not been enough positive ideological education. For instance, it is now very fashionable to promote public opinion polls, democratic discussion, and the establishment of many supervision regulations. Although these things are certainly necessary and should be improved and perfected, they deal with only one aspect of the issue, and overlook

another important one, that is, improving cadres' ideological foundation. Using "stopgap" methods will not keep various wrong ideas and unhealthy tendencies from surfacing.

3. The lack of strict and just law enforcement has sapped cadres' ideological will and has had a negative impact on their morale. On one hand, party, government, and legal discipline has not been enforced, and there has not been effective education about and punishment of the violations of law and discipline that have appeared among cadres. On the other hand, offenders have been punished differently and unfairly for similar offenses, with some being investigated and punished and others not. This has left those who are punished refusing to admit their offenses, those who are not punished secure in the knowledge that they have strong backing, and honest cadres disheartened.

4. The imperfections in policy regulations and the incompleteness of policy measures have given opportunities to be exploited to those few who are blinded by greed. For instance, since coordinated measures have not kept up and supervision has been imperfect in small and medium-sized enterprises that use contract management, these enterprises seem to have become contractors' private property as soon as contracts are signed. Once contractors become "bosses," they compete for equipment with only their immediate interests in mind, line their pockets with "live fish," and overemphasize short-term activities. Although some enterprises sustain losses or go bankrupt, contractors' pockets bulge with wealth and the state is left with enterprises that are "empty shells."

I think that the following steps should be taken to correct these cadres' undesirable attitudes:

1. Teaching of Marxist theory to cadres must be reinforced, understanding of Marxist theory by all cadres at all levels must be improved, and the ability of cadres to clearly distinguish right from wrong must be basically increased.

2. Political and ideological education for cadres must be reinforced, and a spirit of devotion to the nation must be better instilled in them. It is suggested that concerned departments draw up regulations that clearly stipulate the guiding ideology, policies, and principles of political and ideological education for cadres. Based on these regulations and local cadre ideological conditions, all party organizations and governments at all levels should draw up plans each year for special and regular ideological education to effectively teach cadres. Cadres should be taught the following seven basic points in their political and ideological education: a) To uphold the four basic principles; b) The general policies of reform and opening up to the outside world; c) Standards for the productive forces; d) The party's glorious traditions, including its three important styles of work (integrating theory with practice, forging close links with the masses,

and practicing self-criticism) and the principle of democratic centralism; e) Party, government, and legal discipline; f) The aim of serving the people; g) The ideals of communism. In particular, repeated education and propaganda should be directed at cadres on the key issues of the party's three important styles of work, the aim of serving the people, and the ideals of communism.

3. Discipline must be strictly enforced. Cadres must be taught better organizational discipline to ensure centralism and unity for the whole party and nation. The following three points must be emphasized: a) Ideological and discipline education for cadres must be conscientiously reinforced. This is the ideological basis for strictly enforcing discipline. b) A three-dimensional supervision system must be established to include supervision by the masses, the media, and regulations. c) Law enforcement must be firm and fair. All cadres who violate the law and discipline, cause serious losses for the party and the people, and have a very detrimental effect on the masses, must be firmly and severely punished, regardless of how high their post, how many contributions they have made, how much seniority they have, or how strong their backing. Those who refuse to change and have undesirable attitudes should be severely punished and absolutely not be allowed to gain political or economic advantages by unfair means.

4. Marxist theory must be used to guide cadres and ensure their political orientation in the following ways: a) Leading organs must study the laws of cadre ideological development and change, the impact of all developments on cadre ideology, and ways to guide cadre ideology. b) The dialectical standpoint must be used to emphasize cadre building. In jobs, such as choosing, appointing, teaching, training, and investigating cadres, one aspect must absolutely not be emphasized to the detriment of others, and only one aspect must absolutely not be affirmed. c) The party's policies and regulations must be perfected and made more scientific, feasible, and strict. When putting policies and regulations into effect, coordinated measures should keep pace as much as possible to keep issues that should not from arising.

Commentator Advocates Increased Theoretical Study

*HK0602052790 Beijing JIEFANGJUN BAO in Chinese
19 Dec 89 p 1*

[Commentator's article: "Theoretical Study Encouraged"]

[Text] Recently, the Central Committee of the party and the leading comrades of the Military Commission have put forward again that theoretical study should be encouraged, and special attention should be paid to studying the fundamental theory of Marxism-Leninism and Mao Zedong Thought. To get a true understanding and act in the spirit of theoretical study, and to study hard Marxism-Leninism and Mao Zedong Thought is an important strategic task ahead of us.

We have learned many lessons from the political disturbance that occurred at the end of the spring and the beginning of the summer this year [1989], and one of the important lessons is that, in order to ensure that the Chinese Army is always up to high political standards and is always politically qualified, we must pay great attention to studying and education in Marxism-Leninism and Mao Zedong Thought. Facts have shown that Western monopoly-bourgeois has been launching a "peaceful evolution" strategy, and an extremely small number of hostile elements in China who have been stubbornly adhering to the viewpoint of bourgeois liberalization have been coordinating with it from afar, have been carrying out destructive activities, and have been making trouble. Their fundamental method is to first make a breach in thinking, theory, culture, and other aspects, and then to develop the scope of ideological evolution into a movement that will comprehensively overthrow the socialist system. In facing such practical danger, if we do not arm ourselves with strong theory, we will apparently be not able to foil the plot of the hostile elements. Let us review the situation of society when the disturbance occurred: At the critical moment when the disturbance and the counterrevolutionary riot occurred, why did some comrades feel confused and lose their confidence, and why were they vacillating on some basic beliefs, fundamental principles, and basic matters of right and wrong, which are, in fact, very clear? Why were some comrades easily confused by the slogans of so-called "democracy," "freedom," and so on, and why were they not able to see through the reactionary intention of a small number of people with evil intentions, opposed to the leadership of the party, and hostile to the socialist republic? Why were some comrades unable to make a clear distinction between right and wrong, and unable to justly and forcefully refute and expose the plot at the time when there were many rumors? The fundamental reason is that their theoretical background is not strong. Let us relate the situation to other aspects: Why has the thinking of bourgeois liberalization been able to develop and expand in society at an astonishingly fast speed over a period of time, and why has it been able to develop into shocking disturbance and counterrevolutionary riot? People who have been developing bourgeois liberalization have spread many ideological and theoretical viewpoints opposing Marxism-Leninism. Why have many comrades been unable to see through the ridiculous nature of such viewpoints and the intention of spreading such viewpoints? Why have some comrades, disgusted with the viewpoints spread by some people of diversification in the political realm, privatization in the economic realm, liberalization in the cultural realm, and so on, been unable to tell why it is so and been unable to forcefully criticize and refute such viewpoints according to the truth? All these are directly related to the situation where the system of theoretical study has been seriously crippled. Let us think further: At that critical moment, the Army had been holding a firm stand identical to that of the party Central Committee, and had attained a qualified political level. What are the reasons for this? The very important reasons are that a large number of

senior comrades in the Army, who were nurtured by Marxism-Leninism and Mao Zedong Thought, are playing a leading role, and the results of education in and the study of Marxism-Leninism and Mao Zedong Thought obtained over the past years are playing a role, and that the fine tradition of the Army, which was formed under the guidance of Marxism over the past long history of struggle, has encouraged the broad masses of comrades and soldiers. All these have illustrated that, if theories are not made clear, people's thinking will not be clear and people's will will not be firm. The theoretical shallowness, the ideological weakness, the political childishness, and the vacillation in actions are closely related to each other. On the contrary, if people's theoretical background is strong, people will have a clear mind, a firm stand, a clear attitude, and a firm will to struggle. We should learn this lesson, strengthen the theoretical study of Marxism-Leninism and Mao Zedong Thought, raise the theoretical quality, and strengthen the theoretical base. These are to consolidate and develop the victory obtained from curbing the riot and suppressing the counterrevolutionary rebellion, and for the need to persist in opposing bourgeois liberalization for a long period of time.

To encourage theoretical study is also necessary for building socialism with Chinese characteristics and for modernizing and regularizing the revolutionary Army. We are now undertaking a great task nobody has done before. We will encounter new subjects and a complicated environment, will have a long way to go, and will have to undertake difficult tasks. In practice, many difficult problems will be involved and they will require theoretical answers. Take the present policy of improving the economic environment and rectifying the economic order as an example. In order to correctly handle the relationship between the policy of improving the economic environment and rectifying the economic order and the policy of deepening the economic reform, and that between the policy of adhering to the four cardinal principles and the policy of insisting on the reform and opening up to the outside world, and that between the policy of maintaining a substantial development speed and the policy of stabilizing the economy, and other complicated relationships, we have to seek theoretical guidance from Marxism-Leninism and Mao Zedong Thought. In order to unite the broad masses of people, to induce them to help each other in facing difficulties and to struggle together with one heart and one mind, we have to use Marxism-Leninism and Mao Zedong Thought as the spiritual pillar. In the implementation of the policy of improving the economic environment and rectifying the economic order, and in the course of deepening the reform, many new problems will emerge in the political, ideological, cultural, economic, military, and social realms and other aspects, and these new problems have to be studied. Moreover, many new contradictions in these aspects will emerge and they also must be solved, many new things in these aspects must be learned, and there will be many new realms that we must probe into. In order to make a correct choice, we

have to stick to the Marxist theoretical guidance direction. This is also applicable in the building up of the Chinese Army. In order to uphold the principle that the Army should be conscious of taking actions according to the general situation and the principle that the Army should be restrained, to maintain and give play to our political strong points, to comprehensively build the Army according to the standards of combat capability, and to continue to reform and make renovation on the basis of carrying on and developing the Army's fine tradition, and so on, guidance should be obtained from Marxism-Leninism and Mao Zedong Thought.

To encourage theoretical study is necessary training politically qualified revolutionary soldiers. To become politically qualified, one must arm his mind with Marxism-Leninism and Mao Zedong Thought and adhere to the firm and correct political direction. In order to achieve this, the only way is to enhance theoretical study. In wartime, when our revolutionaries of the older generation were fighting battles with enemies under dangerous conditions, they continued to learn Marxist knowledge, and their firm revolutionary will was thus enhanced in a persistent way. For the old comrades who had experienced the Yanan rectification movement, their capability to relate theory to the reality has been greatly enhanced, and they have benefited from the movement for their whole life. After the establishment of the PRC, we attempted several times to encourage theoretical study. Although the study of theory has been disturbed by ultraleftist thinking and biases have emerged, our comrades have learned and got to know the fundamental theory of Marxism-Leninism and Mao Zedong Thought. What they have learned is still playing a positive guidance role in their thinking, work, and lives. One of the important reasons some young people have been easily influenced by bourgeois liberalization is that they were brought up at the time when education in Marxism-Leninism and Mao Zedong thought was weak, and they thus do not have sufficient theoretical quality. We are now taking part in the socialist modernization and we should obtain many types of knowledge, in particular modern scientific and cultural knowledge, to enrich ourselves. However, it does not mean that the study of Marxism-Leninism and Mao Zedong Thought can be relaxed. In order to obtain the so-called breadth knowledge, we should first know more about the fundamental theory of Marxism. If such study is excluded from the knowledge realm, knowledge structure will become unbalanced, and this is very dangerous. In party history, the Yanan rectification movement and the discussion of the truth criterion held a decade ago have brought apparent results in theoretical study. In reviewing these two events of theoretical study, these lessons should be learned: First, we should learn theory through the process of criticizing incorrect theories and ideologies. In the Yanan rectification movement, subjectivism, sectarianism, and stereotyped party writing were criticized; while in the discussion on the truth criterion, the "two whatevers" thinking was criticized. People have thus learned Marxism through the comparison of truth and

falsehood and the struggle against falsehood. Today, in facing the situation where the trend of bourgeois liberalization diametrically opposes Marxism-Leninism and Mao Zedong Thought in theory and thinking, we should take theory and the process of criticizing mistakes as weapons to criticize mistakes in the process of learning and to learn in the process of criticizing mistakes. Second, we should uphold the stand, viewpoints, and methods of studying Marxism-Leninism and Mao Zedong Thought, and oppose the attitude of learning without criticizing. Today, when we study theory, we should work hard on understanding the fundamental theory of Marxism-Leninism, should pay important attention to the study of Marxist philosophy, the theory of building socialism with Chinese characteristics, and the theory of building the party and the Army in the new era, and should avoid the emergence the tendency toward pragmatism, formalism, and so on. Third, we should study theory by relating closely the present situation to our present tasks. We did this in the Yanan rectification movement, and thus prepared in many aspects, including ideology and theory, for achieving the final victory in the war against the Japanese invasion. We have done these again in the discussion of the truth criterion, and we have thus laid an essential theoretical and ideological foundation for the implementation of reform and the policy of opening up to the outside world in the new era. Today, when we study theories, we should also develop the good learning style of relating theory to reality, should combine the present policy of improving the economic environment and rectifying the economic order and the policy of deepening the reform with the reality of building up the Army, and should study and think thoroughly. Fourth, in the past two events of theoretical study, leading cadres have played a key role and have given an impetus to the whole party to study theory. Today, we should set higher and stricter requirements on leading cadres' theoretical study. Whether cadres have seriously studied theory, and whether cadres have learned a substantial level of Marxist theory should be taken as important criteria for examining and appointing cadres.

"By making progress through following the path of Marxist theory, we will obtain objective truth (objective truth will have no bounds). By making progress through following other paths, we will get nothing but confusion and mistakes." These words of Lenin can still enlighten us under today's situation of opposing bourgeois liberalization and suppressing riot and counterrevolutionary rebellion. The Chinese Army is the army of the people and is under the leadership of the Chinese Communist Party. The broad masses of cadres and soldiers, who have taken the task of carrying on and developing the revolutionary tradition as their responsibility, have a strong desire to learn theory. The party Central Committee, of which Comrade Jiang Zemin is the nucleus, has called on the whole party to enhance theoretical study, and it is the right opportunity to encourage theoretical study. We should take this opportunity to

motivate people at every level to continue theoretical study with great enthusiasm for a long period of time.

Official Stresses Importance of National Unity

90ON0302A Urumqi XINJIANG RIBAO in Chinese
26 Dec 89 pp 1, 3

[Speech by Wang Enmao (3769 1869 5399) at the fifth Hetian Prefectural Naming and Commendation Rally on National Unity and Progress on 25 December 1989]

[Text] Comrades:

Today, the Hetian Prefectural CPC Committee and Administrative Office solemnly convened the Fifth Hetian Prefectural National Unity Commendation Rally and another rally to name both Hetian City a model city of national unity and progress and Pishan County a model county of national unity and progress and Army-people unity. Comrade Ba Dai [1572 1486], Comrade Zhang Xiqin [1728 1585 2953], and I are really happy that we could make a special trip here in Hetian to attend this rally. First, on behalf of the Xinjiang Autonomous Regional CPC Committee, Advisory Committee, and people's government, I would like to vigorously congratulate and extend kind regards and high respect to the representatives at the rally and, through the representatives, to the people of all nationalities, officers and soldiers, the cadres and workers of all nationalities of Army-run farms in Hetian Prefecture!

Since its first national unity commendation rally in September 1982, Hetian Prefecture has always given first priority to the work of national unity, has conscientiously carried out the instructions of the CPC Central Committee and the autonomous regional party committee on safeguarding the unification of the motherland and enhancing national unity, and has vigorously implemented the guidelines of the first National Unity and Progress Commendation Rally and the first and second Xinjiang Autonomous Region National Unity Commendation Rallies. It has resolutely implemented the basic principles of nationalities work to safeguard the unification of the motherland and persist in national equality, national unity, and the common prosperity of all nationalities. It has also implemented the "Law of Regional National Autonomy" and other policies on nationalities and carried out in-depth education in the Marxist concept of nationality, policies on nationalities, and national unity. As a result, it has ingrained the idea of "two unseparables" in people's mind and established a good practice that fosters mutual trust, respect, support, learning, and understanding between the people of different nationalities and between the Army and the people and under which the Army cherishes the people and the people support the Army. Hetian Prefecture has conscientiously studied the experiences of Zepu and Burqin Counties in founding the model counties of national unity and carried out in a down-to-earth manner activities to build model cities and counties of national unity and progress and Army-people unity. As a

result, a large group of good people and deeds emerged on national unity. Hetian Prefecture has paid attention to and enhanced the unity of leading bodies at all levels and accelerated the unity of all nationalities by playing up the exemplary role of the unity of leading bodies at all levels. Enhanced national unity has created good conditions for the economic construction and development of Hetian Prefecture and accelerated the steady growth of industrial and agricultural production in this prefecture. During the 10-year period between 1978 and 1988, the gross value of industrial and agricultural output increased from 225 million yuan to 577 million yuan, an increase of 156.44 percent. The revenue of this prefecture was 16 million yuan in 1978, and may reach 41 million yuan in 1989, a 2.56-fold increase. The per capita income of agricultural and pastoral areas was 53.49 yuan in 1978, and may reach 340 yuan in 1989, a 6.36-fold increase. The output of grain, cotton, oil-bearing crops, and livestock has also increased by a large margin. What makes people especially happy is that the national unity and the political situation of stability and unity in Hetian Prefecture have withstood the test of many storms and that Hetian Prefecture has been always stable and maintained normal work, production, and living order. As the national unity and the political situation of stability and unity consolidate and develop, Hetian City has built itself into a model city of national unity and progress and Pishan County has built itself into a model county of national unity and progress and Army-people unity. This is bound to bring about further development in the national unity and the political situation of stability and unity in Hetian Prefecture and to guarantee the smooth progress of socialist economic construction, reform, and the open policy.

The fifth Hetian Prefectural National Unity and Progress Commendation Rally opened shortly after the closing of the 5th Plenary Session of the 13th CPC Central Committee and the 14th (enlarged) session of the third Xinjiang autonomous regional party committee. Currently, all localities in the region are relaying, studying, and implementing in detail the guidelines of the above-mentioned two sessions, concentrating their energies on improving economic environment, rectifying economic order, and deepening the reform, and trying to solve problems and difficulties existing in the economy and to bring about the long-term, sustained, stable, and coordinated development of the national economy.

To improve economic environment, rectify economic order, deepen the reform, and bring about the long-term, sustained, stable, and coordinated development of the national economy, we need a stable and unified political situation. Since Hetian Prefecture is a multinational area, the key to consolidate and develop the political situation of stability and unity is to enhance national unity. Hetian Prefecture has made great achievements in national unity. It must continue to do a good job in the work of national unity and score better achievements. This rally should become a rally to further enhance national unity. In order to push the work of national

unity to a new level and make better achievements, we have summed up past experiences in the work of national unity and set forth the following 10 demands for safeguarding the unification of the motherland and the unity of nationalities:

1. Under the leadership of the CPC, the people of all nationalities should unite closely in the big family of the People's Republic of China and unswervingly follow the socialist road.

2. Safeguarding the unification of the motherland and national unity is an important task in socialist ideological improvement and a common responsibility for the people of all nationalities.

3. We should implement the basic principles of nationality work to safeguard the unification of the motherland and persist in national equality and unity and the common prosperity of all nationalities and enforce other policies on nationalities.

4. We should develop the socialist national relationship characterized by national equality, unity, and mutual aid.

5. We should carry out in-depth education in the Marxist concept of nationality, policies on nationalities, and national unity.

6. The Han nationality cannot be separated from minority nationalities, minority nationalities cannot be separated from the Han nationality, all nationalities are inseparable, and all nationalities should be closely united—these should be made the codes of conduct for the people of all nationalities.

7. All nationalities should trust, respect, support, study from, and understand each other.

8. Everybody should be aware of national unity, everybody should understand policies on nationalities, everybody should take national unity seriously, and everybody should do some good things for national unity.

9. We should enhance national unity, guarantee economic development, strive to develop the economy, and promote national unity.

10. When we discover good people and good deeds boosting national unity, we should publicize and commend them in a big way; when we discover evil people and evil deeds undermining national unity, everybody should yell at them as though they were rats crossing the street.

The situation of national unity is good in Hetian Prefecture where the people of all nationalities love the party, the motherland, and socialism. However, we must also realize that some national splittists are still carrying out sabotage activities to undermine the unification of the motherland and the unity of nationalities. We must heighten our vigilance and wage a resolute struggle against national splittists.

We must unrelentingly enhance national unity, consolidate and develop the political situation of stability and unity, guarantee the smooth progress of further improvement and rectification and deepened reform, and bring about the long-term, sustained, stable, and coordinated development of the national economy.

We must vigorously develop agriculture and strive to reap the 13th consecutive bumper harvest in 1990. Along with the development of agriculture, we should develop industry. For industrial and agricultural development, we should do a good job in the construction of water conservancy, electric power, coal, building materials, communications, and transportation projects. We should develop educational, scientific and technological, and cultural undertakings, do a good job in market supply, control inflation, expand foreign trade and exports, earn more foreign exchange, increase revenues, and improve the financial situation. We should carry on the spirit of building the country through self-reliance, hard work, and thrift and do a good job in increasing production, practicing economy, increasing income, and reducing expenditures to overcome economic difficulties. As we develop production, we should continue to improve the living standards of the people of all nationalities. We should carry out the patriotic health campaign, strengthen medical and health work, persist in completing the water improvement project, improve the health environment, and improve the health and condition of the people of all nationalities.

I wish the rally success!

NATIONAL AFFAIRS, POLICY

Reflections on 1989 Economy

90OH0279A Beijing JINGJI CANKAO in Chinese
27 Dec 89 pp 1, 2

[Article by correspondent Bao Yueyang (0545 2588 7122): "Steering the Huge Ship Through Stormy Seas Toward New Unknown Shores"]

[Text] For China's economic sector, the year 1989, which is now about to end, was a year of tempestuous changes and a significant turning point. During 1989, many varied and complex economic, political, social, and psychological factors have jointly exercised their influences on the national economy, which may be compared to a huge ship being steered through stormy seas toward unknown shores.

The Inadvertent Harvest

In the middle and final 10-day periods of February, even before the smoke from crackers fired in celebration of the Spring Festival had fully dissipated, over a million peasants in Sichuan, Henan, and Hubei had shouldered their bedrolls and braved the journey to China's Northeast, moved to Guangdong, or headed for the Northwest, in search of work in the big cities. Many peasants could not find work, and unwilling to concede the futility of their travels, remain loitering at railway stations, on wharfs, in public squares, and on the streets, causing great embarrassment to communication and transport services, especially for railway transportation, while also posing a new public security problem in the cities.

The deluge of these laborers on the move had been prelude to the 1989 turbulences in the national economy of China. These were then followed by two major economic phenomena, which had come about even more contrary to general expectations, and which had become the focus of everyone's attention.

Even before people had quite forgotten the scare evoked by the nationwide panic purchases of August and September of 1988, startling new changes occurred in the market during 1989. Compared with the corresponding periods of last year, total volume of social commodity retail sales during the first quarter increased 22.6 percent, with increases still steadily going up. During April, these increases began to slow down; they were only 20.2 percent, and in May declined to 17.2 percent. Disregarding June, which had been affected by the turmoil, we see a further rapid decline, starting with July, when increases were only seven percent, or 10.2 percentage points below the May figure. August for the first time showed a negative increase, a decline to 0.7 percent, and, if compared to July, a decline to 0.2 percent. This was a highly unusual occurrence, considering conditions in all the last few years. From then on, the market weakened increasingly, and this weakness spread from high-quality durable goods to ordinary articles of everyday use. The total volume of social commodity retail sales declined in

September to 1.1 percent, compared with the corresponding period of last year. In the peak month of October, business did not peak at all, and sales declined to 0.3 percent, and in November further declined to 0.9 percent. Some experts have forecast that the total volume of social commodity retail sales during the entire year will be about 820 billion yuan, about 10 percent more than last year, the lowest increase since 1983. After due deductions for the commodity price inflation factor, the actual decline would be from seven to eight percent, a decline without parallel in the last 10 years.

A steep decline in the industrial growth rate also came as quite a surprise for many. In July, the country's gross value of industrial output increased 9.6 percent, compared to July last year, and was by 1.2 percentage points below the growth rate of the first half of the year. In August, the increase was only 6.1 percent, a decline of 3.5 percentage points, compared with July. It fell even lower in September, namely to 0.9 percent, or 5.2 percentage points below the August figure. In October, China for the first time in recent years registered a negative industrial growth rate, as the rate had declined by 2.1 percent, compared to October last year, with a growth rate that was 8 percentage points lower than that of September.

The above-mentioned economic phenomena evoked numerous comments that are to many most perplexing initially. But now, there is a general understanding of the situation: These economic hot spots have been engendered inadvertently by the various measures of "improving the economic environment and rectifying economic order" in connection with the original economic operational machinery. Their occurrence precisely affirms that those measures to "improve the economic environment and rectify the economic order" are gradually taking effect. Isn't it so? That construction projects cannot absorb too many workers is the result of retrenchments in capital constructions. Weakness of the market is closely related to the implementation of all measures in "improving economic environment and rectifying economic order." The decline in the growth rate of industrial production is thus the inevitable result of the policy of those twofold retrenchments.

The deluge of manpower, the weakness of the market, and the decline in industrial growth have prompted much discussion, with some people expressing concern, and some expressing optimism. However, we can say with certainty that if we respond to these phenomena in a productive way, they can be of a certain positive significance for the achievement of the objectives of "improving the economic environment and rectifying the economic order." For instance, if they induce peasants to return to their land, have them employ scientific and technological means in cultivating the limited area of available soil, and have them practice intensive farming, with priority to be given to increasing the employment of manpower, it could effectively enhance yield per unit area. Recently, some localities have indeed done just that, and with good results. Weakness of the

market has given rise to a temporary buyer's market for certain products, and this is conducive to motivating industrial and commercial enterprises to improve product quality, adjust product mix, and improve service attitudes. The decline in industrial growth rate will compel enterprises to abandon their method of expecting profits commensurate with the scale of production, and to rather resort to efforts to improve internal efficiency by the improvement of management or by other means. The decline in growth rate can also possibly be an inducement to adjust the industrial structure.

Difficulties and Means To Overcome Them

Many economic phenomena have double-edged effects. Market weakness and the exceedingly steep decline in the industrial growth rate have given rise to a whole series of new economic problems and have added many new difficulties to economic work.

First difficulty: Large-Scale Decline of Economic Returns. From January to October, profits achieved by state-run industrial enterprises within the budget declined 17.7 percent, compared to last year, cost overrun of comparable products was 21.1 percent, losses in unprofitable enterprises increased 2.35-times, the profit-tax rate of industrial sales was lower by 2.34 percentage points, compared to last year, and productivity of all industrial personnel increased by only 2.1 percent, compared to the same period last year. Commercial enterprises too showed unsatisfactory economic returns. From January to August, profits of state-run commercial enterprises and supply and marketing cooperatives declined 18.8 percent, compared to the corresponding period last year, while marketing expenses per 100 yuan increased 15 percent.

Second difficulty: Persistent market weakness adversely affects withdrawal from circulation of commodity-related currency by banks and increases pressure on the market by potential consumption demand. Savings deposits of the urban and rural population at the end of November had reached 502.1 billion yuan. If we add cash in their hands, we estimate that the total purchasing power of the population will reach 700 billion yuan by the end of the year. Although these 700 billion yuan will not all be used up in consumption, even one percent of it will have a considerable impact on the market. In normal years, the ratio between total purchasing power and commodity inventories will be 1:2, or 1:3, but now it is 1:0.4. Evidently, China's overall market situation is one of total demand exceeding total supply. On the one hand, the market is weak and inventories are swelling up; but, on the other hand, effective supplies are still insufficient and the market is extremely fragile. This contradiction in China's economy must have our most serious attention.

Third difficulty: Due to the overstocking of products and other causes, a mutual "debt entanglement" of deferred payments has been created between enterprises, which has aggravated the all-round shortage of capital funds. According to bank computations, the total amount of

deferred payments between industrial and commercial enterprises throughout the country has reached 100 billion yuan.

Fourth difficulty: The increasing unemployment pressure. The year 1989 was a peak year of labor force increase, while retrenchments reduced many employment opportunities. We are indeed faced with another record number of unemployed since 1979. Some estimate that the unemployment rate in cities and towns has risen from 2.1 percent in 1988 to four percent, and that it will continue to rise. Moreover, some enterprises do not work at full capacity, so that many employees and workers are only half-time employed.

Furthermore, some old problems of long standing have survived in Chinese economic life, such as the population problem, the problem of internal and external debts, etc. There is really no shortage of problems, but we must recognize that after a year of carrying out "improvement of the economic environment and rectification of the economic order," economic operations in China have produced several distinctly positive trends.

First, abundant harvests have been reaped in agricultural production. This year's summer grain harvest was at a record high, as a total of over 400 million tons of grain were harvested during the year. Cotton production held its own or increased slightly, compared to last year. Production of oil-bearing crops was also more or less equal to last year's. It is estimated that the total volume of agricultural production had increased three to four percent.

Second, the structure of industrial production has been gradually improved, and the industry producing energy and raw materials has maintained its upward trend. Improvement of the industrial structure was begun in the second half of the year. Up to October, the basic industry producing energy and raw materials has maintained comparatively rapid increases. Compared to the same period last year, increases of six to ten percent were achieved in the production of raw coal, electric power, steel, steel products, nonferrous metals, and sulfuric acid, a 22 percent increase was achieved in the production of soda ash, and conditions have eased in the communication and transportation situation.

Third, the inflationary investment and demand situation was initially brought under control. The start of new projects was greatly cut back during the first 11 months of the year. Investments in fixed assets by units owned by the whole people were reduced 10.8 percent, compared to the corresponding period of last year. The increase rate of consumption expenditure by nationwide social groups was reduced month by month, and up to October, total increases were 16 percentage points less than 1988. Increases in staff and workers salaries, wages, and bonuses from January to October were down 23 percentage points, compared with last year. If we would take the price factor into consideration, the retrenchments would be even larger.

Fourth, currency inflation was checked. The nationwide level of retail commodity prices declined month by month, the decline was 27 percent in January, and by October they had declined to 8.7 percent, compared to last year. At the same time, a substantial change was brought about in the way that excessive amounts of currency used to be issued. By the end of October, receipts and expenditure of currency by banks had become balanced, and an amount of 1.59 billion yuan had on balance been withdrawn from circulation, while a total of 46.5 billion yuan had been issued during the same period of 1988.

The conclusion from an overall review of economic operations in 1989 therefore is: The overheated economy was cooled down exactly according to our predetermined objective. Only due to unforeseeable reasons, the economic growth rate declined too rapidly, which resulted in some problems. As to the next step, we must firmly stay the course of positive trends that have already taken place, appropriately adjust the direction and dimensions of retrenchments. This means that, on the precondition of continuing to control the overall volume, we must utilize the favorable opportunity of a buyer's market for certain products to shift the focus of "improving economic environment and rectifying economic order" to a structural readjustment and enhancement of efficiency. It is in this way that we will be able to resolve all our various difficulties.

Increased Clarity in Thinking

The All-China Planning Conference on 28 November in 1988 called for resolute measures to suppress the excessive high growth rate. However, many economists were not at all clear what was meant by "suppress," so that even as late as February of 1989, when the Bureau of Statistics published the January industrial growth rate of 8.2 percent, some news reports spoke of "signs appearing of a downward landslide." On 21 March of this year, Vice Premier Yao Yilin [1202 0181 2651] gave a report on the draft plan for the 1989 national economy and social development at the 2d Session of the Seventh NPC, when he clearly put forward the plan objective of an 8 percent increase in industrial output, a four percent increase in agricultural output, and a 7.5 percent increase in the GNP. At the said NPC, Premier Li Peng clearly pointed out in his report on the work of the government that in the last two years "there was a tendency to be too impatient for quick results in economic construction and social development," a remark that caused a great shock and deepened people's understanding of the need to cool down an overheated economy.

The people were most deeply impressed by the Fifth Plenary Session of the 13th CPC Central Committee, which was held from 6 to 9 November. The session decided to basically complete in three years, or in a little longer period of time, the major tasks of improving the economic environment and straightening out the economic order, namely to reduce the rate of currency

inflation, to gradually bring down the national rate of retail price rise to below 10 percent, to reverse currency issuance exceeding economic growth, to wipe out financial deficits, to maintain an appropriate economic growth rate, to strive for an average annual growth rate of the GNP from five to six percent, to improve the economic structure, and to establish a macroeconomic control system which integrates planned economy with market regulation. One of these objectives, namely to achieve a five to six percent growth rate of the GNP, has particularly caught people's attention. This rate is not only far below the actual growth rate of recent years, but also below the 7.5 percent target set last year for the 1989 GNP growth rate. Evidently, the Central Committee is determined to go the way of a steady development of the economy. Not only is a high rate of economic development unwanted during the period of readjustments, but also after completion of the readjustments. There is simply not going to be anymore one-sided high-speed development.

This policy decision of the Central Committee fully demonstrates a scientific and realistic spirit. There are two factors, China's huge population and its limited natural resources, that determine the need for not setting too high a growth rate for its economic development. An unjustified rush to raise the growth rate is bound to end in calamity, as practice has already proven. The five to six percent increase does not seem excessive, but it will mark a turning point in China's economy. As long as this Central Committee resolution is thoroughly implemented, it will be possible to truly accomplish the objectives of improving the economic environment and straightening out the economic order. China's economy will then gradually enter a track of a benign cycle and will no longer suffer reverses due to erratic development. Isn't that precisely the state of affairs that we dream to bring about?

Achievements, Problems of Price Reform in Past Decade

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No 11, 11 Nov 89 pp 3-10

[Article by Zhang Zhuo Yuan (1728 0587 0337), Wang Zhen Zhi (3769 2182 0037), Yang Sheng Ming (2799 5110 2494), Wang Zheng Xiao (3769 2973 2400), Wen Gui Fang (3306 2710 5364), Chen Xiao Wei (7115 2556 0251), of the "Price Reform" Group, Finance, Trade, and Materials Economic Research Institute, Chinese Academy of Social Sciences: "Ten Years of Price Reform: Achievements, Problems, Solutions"]

[Text] There has been a debate going on since 1986 among economists and theoreticians over how to evaluate the price reforms that have been launched in China since 1979. Divergence of opinion has increased since 1988. Due to the fact that there are different evaluations of the price reforms of recent years, there are very

dissimilar strategies for perfecting the price system, and the programs which have been designed have significant differences.

In this paper, we give our view of the successes, problems, and options presented by the 10-year price reform in order to participate in the discussion. We would appreciate anyone's criticism and enlightenment.

I. Successes Achieved During the Last 10 Years of Price Reform

The primary success of price reform lies in the fact that price formation has undergone a clear change. The rigid and highly centralized price system has been broken down. Decisive steps to take the "administrative, planned" price system toward a market price system have been taken. The market mechanism is playing a more and more important role in the sphere of prices.

In the old price system, price authority was highly concentrated in the hands of the central government. This type of rigid price system seriously impeded economic development and reform of the economic system. For this reason, China's price reforms have been targeted toward the "administrative, planned" price system from the start. The reforms have attempted to resolve such problems as the excessive control of price authority by administrative agencies (particularly the central government) and the one-dimensional and fixed form of planned prices. The reforms have also attempted to introduce the price mechanism into all aspects of the price sphere in order to make market prices play an increasingly important role. The general direction of this type of reform is completely correct, and its successes must be fully recognized.

During the 10 years of reform, authority to set and adjust prices for many commodities has reverted from the hands of the central and local governments to enterprises and to market exchange. Currently, the proportion of prices set by the government has fallen to approximately 50 percent, giving rise to a standoff between two different types of price systems. The market mechanism has become an important force in deciding prices which cannot be overlooked.

In the area of agricultural commodities, price formation has undergone a significant change. During the 10 years of reform, the proportion of prices set by the state has fallen from 92.4 percent in 1978 to 24 percent in 1987, while the proportion of prices set by the market, or are subject to same degree of market control, has risen to 76 percent.

In the area of manufactured consumer goods, the price formation mechanism has also undergone a significant change. In 1978, all prices for light industrial manufactured consumer goods were set by the state. Beginning in 1982, prices for small items were freed in three stages. In 1984, prices for seven types of manufactured consumer goods, including sewing machines, were freed. In 1986, prices for electric refrigerators and bicycles were freed.

By late 1987, the proportion of market prices accounted for 40 to 50 percent of the total price value of light industrial manufactured consumer goods, and the market mechanism had become an important force for manufactured consumer goods price formation.

In the area of heavy industrial commodity prices, the electronics and machinery industries led the way in implementing floating prices. In 1985, prices were freed for the two percent of goods within the state plan that are sold through enterprises' own marketing channels, as well as prices for capital goods outside the state plan. This caused the formation of a dual track price system, with planned prices and market prices. By late 1987, the proportion of floating prices and market prices had reached approximately 40 percent, while the proportion of state prices was only around 60 percent.

Not only did the price formation and adjustment mechanisms, in their narrowest definition, undergo great changes, the price formation and adjustment mechanisms in their broadest definition also experienced a certain amount of change. The market has already begun to infiltrate prices in their broadest sense. Wages, as a type of labor price, are no longer simply set by the state. Enterprises now have authority to adjust wages. Floating wages have appeared, and the market mechanism has begun to have an impact upon the price of labor. Interest rates, as the price of funds, have also begun to be influenced by the market mechanism. Multiple interest rates have begun to appear, and they change as the relationship between supply and demand for funds changes. Due to the appearance of markets for land and technology, preliminary market prices for land and technology have also come into existence. It is apparent that the market mechanism has begun, from many angles, to infiltrate prices for production materials; or perhaps it should be said that a market price for production materials is presently forming. The price of China's currency—the exchange rate—has also undergone great changes in 10 years of reform. Dual track and multiple track prices have appeared. In addition to the official exchange rate, there is also a negotiated exchange rate and a market exchange rate. This shows that the price of currency will never again be decided according to the simple "administrative, planned" model. It has begun to come under the constraints of the market mechanism. If there had not been 10 years of price reform, these changes would never have happened. From this it also appears that the price reforms have achieved great success.

The degree to which the market mechanism has infiltrated prices differs not only from one industry to the next and from one department to the next, but also from one region to the next. In general, the effect of the market mechanism on prices is greater in the special economic zones and the open areas. In these places, market prices already are the principal determinant. In regular regions, and specially in poor ones, the effect of the market mechanism is relatively small, and market prices are still in the growth stage. Guangdong province took the lead in

implementing price reform, and its success has been quite remarkable. Statistics indicate that the ratio of state prices to market prices in Guangdong in 1988 was 2 to 8. In concrete, among agricultural procurement prices, state prices accounted for 20 percent while market prices and state guidance prices accounted for 80 percent. Among prices for manufactured consumer goods, 13.5 percent were state prices, while 86.5 percent were market prices and state guidance prices. Among prices for capital goods, 30 percent were state prices, while 70 percent were market prices or state guidance prices.¹ These facts show that market prices and state guidance prices occupy a position of primary importance in Guangdong, and state prices have retreated to secondary importance. This is the primary benefit of price reforms in Guangdong. If the goal of price reform is for market prices to account for 80-85 percent of all prices, then Guangdong's price reforms have nearly reached their goal, and the main task now is to consolidate the results of the price reforms and to further perfect market prices.²

Under current conditions in China, in which the market is very underdeveloped, market prices cannot be achieved overnight. The successes of the 10 years of reform mentioned above were gained with considerable difficulty. Our expectations must not be too high. By reforming the old system, which had been in place for decades, we restored the original way of doing things and returned prices to the hands of the producers and the traders. This must be recognized as a great step forward in social and economic life. If setting prices in an "administrative, planned" manner is a negation of market prices, then the market prices that have been formed via reform are a negation of the negation that was "administrative, planned" pricing. This is the dialectical process of historical progress, and it is an enormous historical achievement.

Because the price formation mechanism has undergone important changes during the last years, there has been some improvement in China's price system (or price structure), economic development has been given a boost, and the economic structure has become more rational.

Before the reforms, there were two big problems with China's price system (or price structure). The first was price ratios between various agricultural products. Procurement prices for agricultural products, particularly grains, were too low. The second was price ratios between various industrial products. The prices of products from the extractive industries as well as those for raw materials were too low. After 10 years of reform, all of these problems have been alleviated to some extent. Procurement prices for agricultural sideline products were 144.5 percent higher in 1988 than in 1978. Within this category, grain procurement prices were up 174.4 percent. Meanwhile, prices for farm-oriented industrial capital goods only went up by 55.5 percent. Retail prices for rural consumer goods only went up by 61.3. To a certain extent, this solved the problem of low prices for

agricultural products. With regard to the prices of manufactured products, producer prices for heavy industrial products rose by 64.5 percent between 1978 and 1988. Within this category, prices for products from the extractive industries nearly doubled, those of products from raw materials industries rose by 72 percent, and those of products from manufacturing industries rose by 33 percent. This shows that internal relationships between prices of industrial products have improved somewhat. The problem of low prices for products from the extractive and raw materials industries has naturally been alleviated to a certain extent.

Improvement of the price system (or price structure) has spurred economic development. In the last 10 years, the national economy has grown more and more active, and the pace of development has been quite fast. This has been brought on by an array of factors. Among them, the role of price reforms cannot be overlooked. The fact that in the last 10 years China's agriculture pulled out of the doldrums it had been in from 1958 to 1978, advancing at a rapid average rate of 6.2 percent per year, cannot be separated from the large increases in procurement prices for agricultural sideline products. Peasants have benefited greatly from this. Some have estimated that 40 percent of the increased income which peasants have earned during the 10 years of reform is due to an increase in production, while 60 percent is due to higher prices for agricultural products. It can be said without any exaggeration that if the agricultural price mechanism had not changed, and if the level of prices for agricultural prices had not risen substantially, the rapid development of China's agriculture would not have occurred. Of course, there have been shortcomings in this area. Especially since 1985, grain contract prices have risen at a relatively slow pace, which has affected grain production. In the last 10 years, there has been great development of the energy and principal raw materials industries. The reason why energy resources are so scarce is not because development has been slow, but primarily because consumption has risen precipitously. There is a definite link between the relatively rapid development of energy production and large price increases for energy resources (which are still priced too low). The development of production of such basic construction materials as steel and wood is also connected to the fact that the producers receive huge benefits from prices. While the stimulus provided to the energy and raw materials industries by prices has not been ideal during the past 10 years, it has been clearly stronger than it had been during the previous 30 years. As long as we persevere and make sure that prices for primary products rise faster than do prices for processed goods, we can surely stimulate coordinated development of industrial production.

II. Some Failures During 10 Years of Price Reform

We feel that the failures of the price adjustments and reforms of the past 10 years have primarily manifested themselves in the following areas:

1. Reforms have put excessive stress on expediency, and implementation has been very short-sighted. The guiding philosophy has been oriented toward quick success, which has led to various strategic errors. This has been manifested in the price reforms of 1979, 1985, and 1988, in which the degree and scope of adjustment were relatively large.

2. With regard to the strategy for reform, the "dual track price system" was chosen as an intermediate price model, and people boasted of this "creation." They exaggerated the role of the dual track system, and failed to take forceful measures to prevent or limit the dual track system's side effects. In addition, it was a strategic error to overemphasize reform of agricultural product prices while neglecting or even postponing reform of prices for capital goods.

3. The announcement of reform measures was sometimes ill-timed.

First, decisions regarding the timing of the announcements of important reform measures were usually made in exuberant moments, under erroneous assessments of actual conditions. One example was the switch in 1985 from the practice of paying higher prices for the purchase of agricultural products in excess of quotas, to "contract purchase prices." The implementation of the output-related contract responsibility system, and the fact that procurement prices for agricultural products were given relatively large hikes, greatly stimulated the enthusiasm of the broad masses of peasants for production, and enabled China's agriculture to achieve bountiful harvests year after year. Grain production in 1984 reached an all-time high. At that time, there were people who were dizzied by those victories. They thought that this temporary resolution of the problem of feeding and clothing the Chinese people was the final solution of China's grain problems. They even boasted about the grain "glut" caused by terrible storage conditions and poor circulation, calling it "overproduction." This misunderstanding led to mistaken policies: 1) The method of "contract" purchases was used to lower procurement prices for such agricultural staples as grain and cotton, and to limit the volume of production and purchases. Contract purchases were turned into limited purchase contracts, distorting a situation which had been very beneficial for the development of the agricultural commodity economy. 2) Contract prices were abandoned in favor of allowing the department that carries out the purchase to set the price. The product owners—peasants—had no price authority, which ran contrary to the goals of reform. 3) After economic methods became ineffective, administrative methods and economic coercion were strengthened, which led to widespread resort to compulsory orders. Relations between cadres and the masses became very tense. In some situations, contract purchases were even more "unified" than unified purchases. 4) Consciousness lagged behind the actual progress of reforms. People looked upon reforms as a

simple matter of freeing prices, and looked with indifference upon problems which arose after prices were freed up.

Second, reform measures have been hurriedly introduced without adequate ideological or material preparation, and the timing of the introduction of reform measures has been inappropriate. It was also in 1985 that purchase and selling prices for such perishables as meat and vegetables were freed. If it had been done at the time of peak production, when supplies were plentiful, imbalances between supply and demand would not have occurred, and prices would not have soared, as was the case in some cities. These situations led to dissatisfaction among the people. At the same time, the state-run commercial enterprises, as the primary agents of circulation, had not prepared adequately and were unable to respond to the changes. They not only failed to fulfill their guidance role, they even took the lead in hiking prices. In addition, the reforms were introduced precisely in 1984, when urban consumer funds were expanding. This inevitably brought all sorts of problems and lessened the effectiveness of the reforms.

Third, some measures which should have been introduced were not, while others were introduced which should not have been. In 1982-83, for example, after the national economy was adjusted, all aspects of industrial production were relatively coordinated, the imbalance between supply and demand for capital goods had been alleviated, and prices had fallen. To this, add several years in a row of plentiful agricultural production, and the fact that the revenue situation was improving. This would have been an excellent for industrial capital goods price reform, but the opportunity was squandered for various reasons. On the contrary, in 1985 the signs of inflation had already appeared and the economy was already overheating. Nevertheless, it was announced that limits on price hikes for capital goods which industrial enterprises sold through their own networks would be removed. An unrestricted "dual track system" for prices was implemented, which caused a loss of control over prices outside of the state plan and spurred a rise in overall price levels. There was a similar problem with respect to agricultural products. The most notable was the adjustment of procurement prices for cotton. Due to several consecutive years of bumper crops, supply and demand for cotton had reached basic equilibrium by 1982, but production was still rising rapidly. Under these conditions, procurement prices should have been lowered in order to bring the situation under control, yet in 1984 they continued to raise procurement prices. Although procurement prices were adjusted downward in 1985, they didn't go far enough to suppress growth in supply, and a cotton glut ensued. Later, when prices had suppressed the growth of production and cotton supplies had become stretched, they were again unable to raise procurement prices in a timely manner in order to spur supply. The result is that we went to the opposite extreme. Cotton went from the original glut to the serious shortage of the last two years. This has harmed the national economy.

4. Reform measures have sometimes been uncoordinated.

The first area in which lack of coordination has been manifested: People have not appraised the entire economic system or price reforms from the standpoint of systems theory. They have overlooked the interconnectiveness between price reforms and other reforms in such areas as planning, revenues, finance, taxes, the enterprise system, and development of the market, and the way these things constrain each other. To a certain extent, price reforms became divorced from the ability of the state, enterprises, and the people to accept price reforms, whether from the financial, material, or psychological standpoint. This caused the price reforms to proceed in isolation from reforms in other areas. As a result, the effectiveness of price reforms was lessened because these reforms were not coordinated.

The second area in which lack of coordination has manifested itself: There was a lack of coordination among price reforms. There was a lack of coordination. On the one hand, in the reform of prices in their narrowest definition (i.e.—what we commonly refer to as prices for everything other than production factors). This has been manifested most notably in the fact that there is no comprehensive plan for reforms. The systematic project of reforming prices (as narrowly defined) was turned into an operation in which prices were adjusted in a desultory manner—one in which “the squeaky wheel got the grease.” When prices rose sharply, they did not take decisive action, or make an earnest, resolute effort to eliminate inflation, which was what caused prices to rise sharply. Instead, they used stopgap measures to treat the stubborn illness afflicting prices. They took too many administrative steps for too long. Their use of price controls and ad hoc management was too broad. As a result, the reforms slipped into a very passive situation in which one problem could be attended only at the expense of another. Price ratios, which had improved for a time, returned to their earlier state.

In the past 10 years, reform of prices (as narrowly defined) has suffered from a lack of coordination, which has been manifested primarily in the following areas: The first is the lack of coordination between the freeing and regulation of prices. The second is the fact that the purchase and selling prices for some important products have not been in step with each other. The third is the fact that for products for which the dual track price system has been implemented, the portions set aside for the plan and the market are not evenly distributed, resulting in a new situation in which some suffer inordinately while others enjoy more than their share of benefits. All of these problems must be corrected as price reforms are deepened. Another aspect of the lack of coordination in price reforms is the uncoordinated reform of prices in the broadest sense of the word. For example, when market prices rose sharply, inflation set in and the currency was devaluated. Interest rates (especially for savings accounts), which represent the price of funds, could not be adjusted correspondingly, but remained fixed. As a result, negative interest rates came

into existence, which caused the monetary property of the people—savings accounts—to decline in value. In the end, the people rushed to withdraw their money from the banks and prevented it from declining in value by buying up commodities, which in turn spurred further price rises and affected price reforms. Interest rates for the people's savings accounts have been given relatively large adjustments, and interest rates for savings accounts of three-year period or longer have had value-protection riders added to them. Although this has helped to attract savings and prevent the value of the people's monetary property from declining, it should be said that this method of handling the problem is not thorough. Apart from protecting unrealistic interest rates, the most important problem is that it does not protect savings accounts with terms of less than three years. If one calculates on the basis of last year's inflation rate, this portion of the people's savings still earned negative interest (market prices rose in 1988 by 18.5 percent, and have risen 25.5 percent in the first half of this year, while two-year savings deposits yield only 12.24 percent, far below the rate of inflation)). This has not only damaged the value of part of the people's monetary property, but has also made savings accounts with terms of three years or longer somewhat compulsory, which violates the principle of freedom of deposit and withdrawal. For another example, deepening reform of prices (in their narrowly defined sense) will inevitably require that labor be allowed to circulate freely, and that the price of labor—wages—undergo corresponding changes. However, wage reforms have not only stagnated for a long time, they have been extremely ineffective. For a third example, it has been difficult to bring into better balance the prices of mining products (particularly those of such raw materials as coal, petroleum, and some nonferrous metals) and architectural products, which are intimately linked to the price of land resources, because the adjustment and reform of prices for land resources has never been put on the agenda. This has also led to waste and destruction of land resources.

The third area in which lack of coordination has manifested itself: After their introduction, reform measures have not been followed up with appropriate measures to resolve the problems which accompany reforms. For example, after prices were freed, no antimonopoly laws were adopted to prevent a minority of enterprises and industries from taking advantage of their monopoly positions by raising prices arbitrarily. For another example, after prices for some agricultural products which take years to mature were freed, some peasants, worried only about immediate profits, chopped down everything in sight and seriously damaged resources (a similar problem exists in the fisheries industry). There have been no corresponding measures to stem this situation, either. For a third example, since the freeing of prices, there have been no forceful, effective steps taken to eradicate various illegal activities in the circulation link which have affected and even disrupted the healthy progress of reforms.

5. *Consciously or unconsciously, the policy of maintaining stable prices has been abandoned (or at least it is no longer resolutely defended).* Since the central leadership made its decision regarding reform of the economic system in late 1984, regulations calling for resolute maintenance of stable prices have seldom appeared in any important documents (including the reports and speeches of principal leaders) from the Party or the government. Even the mention of stable prices has seldom appeared. Under the guidance of this type of ideology, people in their work, consciously or unconsciously, have relaxed or abandoned their regulation of market prices. They have equated freeing prices with throwing up one's hands and ignoring them. Even though they could not help but issue instructions to control the rate of price rises, they have taken weak, ineffective measures in the area of macroeconomic controls (particularly with regard to the control of money supply), with the result that deficit ceiling is exceeded every year and prices keep climbing higher and higher. Within theoretical circles, some have published articles calling for abandonment of the slogan "stabilize prices," while other articles have held that as long as the rate at which the level of monetary income rises is not slower than the rate at which prices rise, or if wages rise more quickly than prices, then prices are stable. This in reality has provided a theoretical justification for abandoning the policy of stabilizing prices. Therefore, abandonment of the policy of stabilizing prices is also a failure of the reform policies.

III. Reasons for Some of the Failures of the Last 10 Years of Price Reform

We feel that, apart from some inevitable factors, there are some deep ideological and subjective causes for many of the failures which have occurred during the last 10 years of price reform.

Let us discuss first the theoretical causes. The principal ones are listed below:

1. *Price theory has not been in the vanguard.* Everywhere, it has lagged behind actual practice, and it has lacked the ability to respond to the needs of reform or stick to the facts. Basic theory regarding many aspects of price is not based on sound research. These aspects include: What is the role of the law of average profit rates in socialist price formation? What form of price should serve as the principal price form in China? What is the final model we hope to achieve through price reform in the early stages of socialism? Theoretical research has been turned into a way of interpreting and promoting reform measures. This has caused many aspects of reform to lack accurate and scientific guidance, which means they have been pursued in a rather blind fashion.

2. *Theoretical price reform research has lacked strong and effective organization and leadership.* Many issues have not been studied deeply enough. The study has been unfocused desultory. It has lacked continuity and has not

been systematic. It has even been abandoned in mid-stream. This was particularly notable in the early stages of reform.

3. *There has been a lack of debate over some theoretical issues.* The opinion of a single person has usually served as the standard and been accepted as the final conclusion.

4. *An extremely small minority of theoretical workers exhibit a dangerous bourgeois tendency to negate and even attack the Marxist theory of labor value.* They attempt to fundamentally negate and challenge Marxism's role as the guiding philosophy of reform, and replace it with bourgeois price theory.

5. *In price theory research, people have not sought profound solutions, and they have cut themselves off from reality.* On the one hand, some comrades, particularly some young comrades, do not have a deep understanding of China's actual conditions and are unwilling to study concrete issues deeply. They only want to publish theories and write articles in which they prescribe how things ought to be. For example, in discussing establishment of the market, they attempt to completely transplant the Western model without asking whether it is appropriate for China's actual conditions. They avoid even more scrupulously the fact that the development of China's market must take place with planned guidance and macroeconomic controls.

6. *Theoretical research and propaganda is one-sided.* For example, some people have ignored China's actual conditions and overlooked what objective conditions permit. They have looked upon prices as a panacea, and their understanding of the function of prices is one-sided.

Let us discuss second the fact that price adjustment and policymaking is not democratic or scientific enough.

1) Those at the policy-making level tend to listen to and believe only what they want to hear. They have made impulsive policy decisions regarding many important price reforms without soliciting a wide range of opinions or organizing the proper specialists to carry out theoretical proofs or feasibility studies. Under these circumstances, the majority feels that China's fiscal and economic situation must be taken into account as price reforms are implemented, and that this should be done step by step in a planned manner. A minority, however, says that price reforms are a reordering of economic benefits which require no fiscal outlay, for which reason they ignore China's fiscal and economic conditions and attempt to force reforms to proceed forward at leaps and bounds. While practice has proven that this opinion is extremely erroneous, it was still very much favored by some leaders at the time.

2) There was an arbitrary and blind nature to the way reforms lacked earnest, painstaking, concrete, systematic, and thorough research. For a long time, the method

of carrying out reform was to "take it one step at a time" and to "cross the river one stone at a time."

3) When concrete reform measures have been implemented, they have violated the objective laws of the commodity economy and the internal mechanism of price fluctuation. They simplistically sought an overall balance between price hikes and price reductions in order to meet the demand that prices not rise.

Let us discuss three certain policies which, consciously or unconsciously, have been inflationary. This has been demonstrated especially clearly in the last few years.

It was difficult to go forward with price reform when prices were rising so rapidly, so people tried to avoid price reform, but when it was proven through practice that price reform could not be avoided, they went to the opposite extreme. From late 1987 through May 1988, they planned to accelerate the pace of price reform. They intended to use the method of freeing prices to bring prices into balance and achieve a breakthrough in the effort to reform the economic system. However, when this still did not change the expansionary macroeconomic policies that had been in effect for years, they switched to a program of retrenchment, resolving to bring inflation to an end. Even when inflation was growing worse and worse, individual policymakers instructed people to study the relationship between high inflation rates and economic development in some developing countries, attempting in this way to prove that the appearance of double and even triple-digit inflation rates in China was nothing to be feared, and they continued to carry out their inflationary policies. They accepted the idea some people put forward about "fighting inflation with inflation," and continued to issue large volumes of currency. This caused the economy to overheat and made the inflation problem increasingly impossible to manage. The result was the abnormal situation that arose in the third quarter of 1988, when people engaged in panic buying and there was a run on savings. This forced the central leadership to introduce the policy of "streamlining the economic environment and rectifying economic order." This forced the pace of economy reform to slow down. According to some estimates, this may postpone by five years the effort to bring prices into balance.³

Finally, there are concrete reasons for the failures and problems encountered during the last 10 years of price reform which are related to policy and guiding philosophy. One important area in which this is demonstrated is the ill-defined policy of "regulating prices for upstream products and freeing prices for downstream products." This has had an important impact upon economic overheating (manifested primarily as inflation in the processing industries), rising prices, the reversion of price ratios to what they had been before, and the forced slowdown of price reforms. It also manifested itself in the fact that the guiding philosophy of price reform was not very clear. This philosophy took a narrow view of the role of price reform, regarding it not

as a way to achieve a rational allocation of resources, but as a tactic to achieve "market formation." This caused two problems: One problem was that they simplistically regarded the relationship between the reform of the price system and the reform of the price regulation system as if it were the relationship between regulating and freeing. In particular, they thought that prices only had to be freed in order to form a market, and that the great enterprise of price reform would thus be brought to a successful conclusion. They abused the market formation mechanism and the market operation mechanism, causing a situation in the market regulatory system in which much was destroyed and nothing was built up, or at least much was destroyed and very little was built up. This caused freed prices to spin out of control and beyond the reach of regulators, thereby fueling inflation among market prices. A second problem was that the role of price reform was limited to market formation. This was demonstrated most notably with the reform of prices for capital goods. However, when practice failed, for various reasons, to yield the market which people had expected (this was demonstrated most clearly by the dual track system), people then attempted to negate the reforms. They even came to doubt their usefulness, which produced a tendency to look lightly upon price reforms. People attempted to abandon price reforms, and to avoid them.

IV. Price Reform Policies for the Near Future

1. We must stabilize prices, control inflation, and bring the inflation under 10 percent within two or three years.

In recent years, daily worsening inflation has both impeded the deepening of reform and destroyed the social and psychological environment for reform. If we do not make a great effort to control inflation and lower the rate at which prices are rising, not only will it be impossible to continue to develop the economy in a stable manner, or continue carrying out reform of the economic system, but social stability and unity will even be affected. We must understand this sufficiently.

In the next few years, and especially during the period of retrenchment, we must again stress and carry out the price stabilization program. We must tightly control the rate at which prices rise, prevent prices from rising across the board, make an effort to hold the scope of price rises within the scope of structural readjustment, and use the efforts made between 1989 and 1991 to achieve an annual inflation rate of less than 10 percent. With these goals in mind, we propose the following measures:

1) We must include the price index in the annual state plan to form a mechanism whereby the various regions and departments practice self-restraint and self-control within the state's system of macroeconomic control.

2) Stabilization of prices means primarily stabilization of market retail prices. Within the sphere of market retail prices, this means primarily the continued stabilization of prices for daily necessities, especially a list of 47 basic

necessities which includes grains, cooking oil, meat, eggs, and vegetables. Other consumer goods must be adjusted in a planned manner according to the supply and demand situation on the market.

3) We must identify a minority of consumer goods which are not basic necessities, and let the state carry out unified operation and management, from production to sales. The state must levy high taxes on these products and maintain high prices. The state must choose individual stores to carry out monopoly sales. Ample supply must be available, and prices should be determined by supply and demand. This would both satisfy a part of demand, and provide part of the funds needed to stabilize basic necessities.

4) Comprehensive streamlining measures must be taken to stabilize prices. These measures include: tightly controlling the rate of growth of the money supply to bring it fundamentally in synch with the actual rate of economic growth; streamlining "overheated" investment and consumption; shrinking the gap between overall supply and demand; increasing the strength of supply, improving industrial structure, and raising economic benefits which accrue to the state.

2. During the course of streamlining and rectification, we must carry out price reforms in a selective and timely manner. We must place priority on resolving especially serious price problems. We must achieve the goals of reform while paying the smallest price possible in terms of price rises.

The most irrational prices are the procurement prices for grains and cotton bought on contract, prices for coal, electricity, petroleum, in salinized industrial products, and railroad shipping prices. For some of these products, such as coal and crude oil, the entire industry has been losing money, while other prices have brought very low profit, including those for electricity and railway shipping. Prices for these products are very low in comparison with prices for similar products abroad. Some comrades have calculated that if prices abroad for products in these same categories were given a value of 1, then the prices for several of China's principal products would be as follows: crude oil, 0.3; railway shipping, 0.4; coal, 0.5; steel, 1.0; copper, 1.2; textiles and light industry, 1.1; machinery, 1.4; and electronics, 2.0. (All Chinese prices were arrived at by taking the average of both state prices and market prices. Conversions between renminbi and foreign currencies were based on official exchange rates.)

For these reasons, we must take small steps and aim for steady progress in order to resolve especially pronounced price problems.

With respect to procurement prices for grains bought on contract, we must achieve, step by step, the principle of equivalent exchanges. Equivalent exchange must be directly realized through contract purchase prices. When equivalent exchange cannot yet be directly realized in this manner, it must be realized indirectly through

concessionary prices for agricultural capital goods, favorable terms for agricultural loans, and agricultural taxes. Contract purchase prices must gradually be adjusted, using market prices as the point of reference. Rational grain contract purchase prices should generally be about 20 percent lower than market-regulated prices (market-regulated prices are now 50-100 percent higher than contract purchase prices). This goal must be achieved in stages. The first step is to award premiums (in the form of chemical fertilizers, diesel fuel, and plastic sheeting) to peasants who agree to sell grain through the contract purchase system. These premiums should generally be equivalent to the extra benefit that peasants would have gained by selling their grain on the market. Later, as the economy and state revenues improve, prices for grains purchased on contract must gradually catch up with market-regulated prices. Only in this way can we assure victory in the completion of the grain contract purchase task. At the same time, we must rectify prices for agricultural capital goods. We must buy a fixed amount of chemical fertilizers, diesel fuel, and plastic sheeting at state-regulated prices in return for fixed amounts of grain bought on contract. This exchange of sales much be paid on the spot and the proportion of the sales should be raised appropriately.

We must achieve a rational readjustment of prices for coal and oil. China has rich coal resources, while her oil reserves are insufficient. For this reason, China's energy policy for a long time has encouraged people to use coal instead of oil. Coal prices have been kept low and oil prices high. The view, to be specific, was that in order to maintain equivalent profits among all industrial departments in the coal and oil industries, petroleum products should be high-priced and highly taxed, while coal should be taxed at low rates, if at all, and the price should be kept low.

Because China's coal has been underpriced for so long, it will be impossible to achieve a rational readjustment all at once. It can only be done in stages and groups. In the first stage, coal prices should be calculated by adding average profit rates for industrial departments to average costs. Adjustments should be carried out every year and completed after three years. The price markups should basically be absorbed by the various user departments. In the second stage, coal prices should be calculated by taking the average costs for low-grade coal and adding average profit rates on capital for industrial departments. Afterwards, coal prices would be adjusted in a timely manner in response to changes in costs.

Among prices for petroleum, it is mainly crude oil which is underpriced. Because oil extraction and refining are two different accounting units, state revenues and petroleum departments would not be able to take it if prices were raised for only crude oil, but not for such finished petroleum products as gasoline, kerosene, and diesel. For this reason, only be appropriately raising prices for such finished petroleum products as gasoline, kerosene, and diesel; and achieving a rational price parity between

crude oil and such finished petroleum products as gasoline, kerosene, and diesel, can we achieve an overall balance between the average profit rates on capital of oil extraction departments and those of oil refining departments.

China's electricity and railway shipping are in very tight supply. Electricity and railway shipping are both underpriced. The profit rate on capital for electricity and railroad departments is lower than the average level among industrial departments. In order to spur development of the electric power industry and railway shipping, and to alleviate the imbalance between supply and demand, the most urgent task is to raise prices for electricity and railway shipping. Rational prices for electricity and railway shipping should be calculated by taking average costs for those departments and adding the average rate of profit on capital for industrial departments. Because raising prices for electricity and railway shipping would affect all enterprises, these price adjustments must be continuously carried out in small increments, dividing the task into stages.

Among prices for chemical products, such as prices of salinized industrial products, urgently need to be resolved, especially those for soda ash and caustic soda. Prices for these two products can be remedied by first adjusting and then freeing them. After these prices have been freed, we should guarantee quantity, but not price, for those industries for which soda is a key product.

3. We must gradually resolve the problem of the dual track system among capital goods.

The conversion of the dual track price system into a single track system does not mean a return to total reliance on only one single track system with prices set by the state; rather, it means two single track systems. In one system, the state will set prices for a small number (the number could also start large and be gradually reduced) of capital goods. In the other single track system, the prices of a large number of capital goods would be subject to market regulation.

We offer the following concrete proposals: 1) Upstream (primary) products should primarily be state-adjusted. Among these products, prices of the key ones should be set by the state for now. Because upstream products are widely used (most serve as the primary raw materials and fuels for midstream and downstream products), we should rely primarily on state-adjustment of prices for these products in order to reduce the damage caused by price jumps. The prices for some upstream products for which supply and demand are basically in equilibrium can be freed. Within one or two years, we could first establish some type of single price for electricity, petroleum, and railway shipping, and cancel the dual track price. We would combine the planned price and the market-regulated price into a "comprehensive average price," which would serve as a transition to state prices. Later, we would readjust prices once per year based on the costs of products in every category as well as the

supply and demand situation. 2) We should combine state-adjusted prices with free prices vis-a-vis midstream products (intermediate products), first using state adjustments, later freeing prices. There are three possibilities to choose from: First, we could implement state prices for those midstream products for which supply and demand have been long out of balance. Second, we could implement market-regulated prices for some midstream products for which supply and demand are basically in equilibrium. Third, we could implement floating prices for the majority of midstream products. A "comprehensive average price" would serve as the base price, and price departments would regulate the limits of price fluctuations, within which enterprises could freely set prices. 3) Prices for downstream (final) products should primarily be freed. We should implement a system of market-regulated prices which affords the state a certain amount of control. Most downstream products present a wide array of types, designs, and qualities, and most have been extensively and finely processed. Apart from basic manufactured consumer goods, it would be inappropriate to have prices controlled by the state plan. Only by relying primarily on the market mechanism to set prices will we be able to spur competition among enterprises, raise product quality, accelerate innovation, bring about survival of the fittest, and raise economic benefits to society.

After dual track prices have been turned into single track prices, we should have only one price for any one product. Prices for some products should be set by the state, while those for other product should be subject to market regulation. As for how these two types of prices should be coordinated, our tentative view is: 1) We should establish a new management system for state prices, which should change in response to changes in costs and the supply and demand situation. We should first see that products subject to state prices yield compensation for expenses incurred in the course of normal production and rational operation. They should also yield the average rate of profit in their respective industrial departments. For capital goods which make direct use of natural resources as the object of labor, prices should include compensation for resource expenditure (land rents). State prices should be readjusted at least once per year on the basis of costs and the supply and demand situation. 2) We should establish a system for the adjustment and control of prices which have been freed. We should restrict the prices of producer enterprises by controlling average profit rates. We should control markup rates to restrict selling prices. For a small number of products which are easily affected by violent fluctuations of supply and demand on the market, we can use price ceilings.

Footnotes

1. See GUANGDONG JIAGE YANJIU [GUANGDONG PRICE RESEARCH] 1989, No 1, p 27.

2. The price formation mechanism also underwent great changes in other provinces and municipalities. For

example, state prices only accounted for 28 percent of all procurement prices for agricultural products in Jiangsu province in 1988, while state guidance prices and market prices had reached 72 percent. State prices only accounted for 38 percent of all procurement prices for manufactured consumer goods, while state guidance prices and market prices had reached 62 percent. State prices only accounted for 30 percent of all procurement prices for capital goods, while state guidance prices and market prices reached 70 percent.

3. See Xue Muqiao [5641 2550 2890]: "Earnestly Sum Up 10 Years of Experience in Economic Reform," GUANGMING RIBAO, 17 December 1988.

Consumer Market Problems Rise From Improvement, Rectification

90OH0270A Beijing JINGJI CANKAO in Chinese
28 Dec 89 p 1

[By Chen Xiang (7115 5046) of the State Planning Commission]

[Text] Since entering the second and third quarters of 1989, the consumer market has produced some unexpected changes. Large quantities of merchandise were lying idle, and goods, which for many months had been in great demand, suddenly were ignored. Producers, managers, and even consumers were at a loss as to what to do. To use a popular expression, "Enterprises did not know what to produce, commercial establishments did not know what to manage, and consumers did not know what to buy." It seemed that overnight the consumer market went from a seller's market to a buyer's market. What are we to make of the changes that have occurred?

The Inevitable Result of Improvement and Rectification

It is no coincidence that these changes have occurred in the consumer market this year. They have been the inevitable result of improvement and rectification measures in common with a large number of other factors. The main factors have been:

1. *The initial success of the policy of retrenchment.* In implementing the policy of retrenchment by controlling the increases in consumption funds, by holding down the extent of fixed assets investments, by holding down the extent of bank credit, and by effectively controlling the issuance of currency, we have thereby controlled overly exuberant consumption. Taking the period January to August of this year and comparing it to the same period in 1988, we see that the cash supply has gone from net input to net return. According to our calculations, each 100 million yuan reduction in the net currency supply will cause a 20 million yuan reduction in total retail commodity sales. The reduction in the currency supply during the January to August period alone caused total retail commodity sales to be reduced by several billion yuan.

2. *The delayed effect produced by panic buying in 1988.* The wave of panic buying that occurred last year caused a considerable portion of purchasing power that would have been expended in 1989 to be used ahead of time. The amount of consumer goods possessed by households, especially expensive durable goods, has greatly increased. This has hugely affected the degree to which commodity sales have increased in 1989 and reduced the degree to which 1989 commodity buying power has been expended.

3. *The indexing of savings by the state.* This divides up the flow of purchasing power in the hands of the public. A considerable portion of the public has shifted from preserving value through purchases to preserving value through savings. Savings have increased, and purchases have declined. Between January and September 1989, savings deposit balances increased 26.3 percent compared to the same period in 1988. Return of credit money increased 39.6 percent compared to the same period in 1988. And there have been added collective investments and purchases of bonds and debentures. This has caused expenditure of a considerable portion of the buying power to be delayed or postponed and has had a cushioning effect on the market.

4. *The remarkable results of building clean government.* Since the central authorities set forth a series of measures on clean government, consumption by organizations and their spending public funds for entertaining guests have largely diminished. Representative surveys show that dining in first class restaurants has declined by one- to two-thirds, that business volume has dropped 30 to 50 percent, and that the prices of some expensive name-brand sideline products and durable goods have also begun to experience big drops.

5. *The restraint on consumption caused by the excessive price increases for some products.* As a result of several price rises, the public was unable to keep up with some products, especially high quality clothing, some household electrical appliances, and foodstuffs which rose in price extremely fast. For example, from January to September 1989 the sales of color television sets declined 11.5 percent compared to the same period in 1988. In September 1989 they declined 52.7 percent compared with the same period in 1988.

6. *The changed attitude toward consumption.* Implementation of improvement and rectification measures has generally given people greater confidence in the party and the government's ability to control inflation. The tendency toward indiscriminate consumption has basically changed. In particular, the "high degree of demand" for goods in demand has greatly diminished because of the obviously much greater drop in commodity prices this year compared with last year. In the wake of commercial establishments charging reduced prices for their merchandise, people's attitude toward consumption has shifted from their expectation last year that prices would go higher to their expectation this year

that prices will go lower. They are holding on to their money and taking a wait-and-see attitude.

Satisfaction and Anxiety Together, A Good Opportunity for Readjustment

The consumer market gives the appearance of both satisfaction and anxiety. The reasons for being satisfied are: the initial success of improvement and rectification; control of an overly exuberant market; lessening the contradiction between supply and demand; the beginnings of a balance developing between supply and demand; and the temporary elimination of high shortages. As a consequence, demand-pull inflation has been largely restrained, and from a long-range point of view, these factors will help enterprises improve product quality and enhance their competitive spirit. When in the short space of several years the contradiction between overall supply and overall demand shows improvement, we cannot deny that this is a gratifying change. Furthermore, the shift of the consumer market from a seller's to a buyer's market is likewise a rare event in the history of the People's Republic. As far as the market is concerned, the public feels reassured, goods are in ample supply, and this is benefitting both the nation and the people. What is causing anxiety is, although superficially the contradiction between supply and demand has been alleviated, it has yet to be genuinely resolved and the situation is still quite serious. The main aspects of the situation are: 1) The surplus buying power that the public has been accumulating for many years now has not only not been dissipated, it is still increasing. By the end of July 1989, the increase in consumer savings accounts had raised surplus buying power by several tens of billions, compared to the same period in 1988 an increase of more than 10 percentage points that poses a potential threat to the market. 2) There is both a shortage of goods and slow sales. At the same time that we have a large quantity of goods that are not selling, we also have a considerable amount of goods the supply of which is not meeting demand, such as some types of clothing, sugar, powdered milk, soap, laundry powder, and certain other miscellaneous items. Another worrisome aspect is the decline in the efficiency of commercial establishments. Some enterprises are facing crisis situations. The weak market has caused enterprise operating profits to drop, the turnover rate of funds to slow, the stocks of stores to increase, the warehousing of goods to be prolonged, and the monopolizing of funds to increase. If this condition prevails for long, it will affect enterprise production and the efficient use of funds, thereby confronting improvement and rectification with new difficulties.

We are faced with the task of implementing improvement and rectification while at the same time seizing the opportunity to adjust industrial structure and freeing ourselves from the harmful effects that a weak market has caused production and circulation. To guarantee the implementation of improvement and rectification, we must carry out a dual policy. We have to continue to hold down consumer demand, guide the public toward

proper consumption, control the growth of consumption funds, stabilize prices, and enliven circulation. These are crucial to stabilizing the market. At the same time, we also have to require that commercial establishments, in accordance with market conditions, improve their operational management, improve the quality of their service, readjust the structure of their stock, and lessen the contradiction of the funds crisis. Enterprises should not lose an opportunity to readjust their production structures and increase production of saleable goods. The state too must institute further restrictions on production of overstocked goods that do not sell and see to it that production is shifted to other goods, thus enabling industrial enterprises to exert themselves to improve the quality of their goods, bring out new varieties, and increase the effective supply of light industrial and textile products.

Materials Minister Outlines Distribution Priorities

*90OH0270B Beijing JINGJI CANKAO
in Chinese 28 Dec 89 p 1*

[Text] In a recent interview with this reporter, Materials Minister Liu Suinian [2692 7151 1628] pointed out that, despite the basic balance in the total supply and demand of most materials, the varieties and quantities of materials earmarked for unified distribution currently controlled by the state have been considerably reduced. The minister noted that, if we are to meet the state's major production and construction needs, we must take effective measures to make appropriate increases in the amount of materials for unified distribution.

- We must conscientiously fulfill state norms that govern the ordering of goods and increase the number of contracts that are completed. Every region, sector, and enterprise must accept orders for goods in accordance with the variety, quantity, and specifications set in the plan and in accordance with the price prescribed by the state, and they must be delivered according to the contract. Enterprises definitely must complete their mandatory state plans before they can sell things on their own.
- We must strengthen the process of suiting production to demand by carrying out the direct supply of specified amounts of goods at specified locations at non-fixed prices. Next year, we will use administrative measures to assign specified amounts of goods that enterprises can sell on their own. Production will be suited to demand by state organs, thus implementing the direct supply of specified amounts of goods at specified locations at nonfixed prices.
- We must, in accordance with state industrial policies, adopt "two-way guarantees" with respect to the state's key enterprises. For enterprises that in compliance with state industrial policies, the state will guarantee their major production needs, and the enterprises will guarantee delivery of goods to the state.

—We must make appropriate increases in unified state distribution of important materials. The principle is that enterprises whose existing base figures for goods under unified distribution have been adjusted by the state cannot have those figures reduced and appropriate increases must be made in base figures that are low. Goods capable of enhancing the state's investment in construction and technical transformation must be delivered to the state as stipulated in relevant documents of the State Planning Commission and the Ministry of Materials. All coal produced in mines under unified central planning, coal that the localities deliver to the state, and coal outside the plan leaving a province by railroad transport is subject to unified distribution, unified ordering, unified transport, and unified dispatching by the state.

Liu Suinian emphasized that the state's distribution of materials is seriously inadequate and that plans are being worked out for the state to institute inclination. The supply of materials needed in agricultural production and the "three materials" needed for basic irrigation construction must be guaranteed. Some of the materials needed for the production of energy and for use with raw and processed materials, for transportation and communications, for mandatory production quotas, and for state investments in key construction projects will be examined and arrangements made as prescribed by state plans. Priority will be given to supplying important materials needed for national defense industries, for light industrial products in short supply, for export products that earn foreign exchange, for high-quality brandname products, and for technically advanced products. The distribution volume for other materials will be somewhat reduced compared with 1989.

PROVINCIAL

Xinjiang Official Comments on Economy, Market Stability

90OH0232A Urumqi XINJIANG RIBAO in Chinese
14 Dec 89 p 2

[Article by Ai Min (5337 3046): "Rectify the Economic Order and Guarantee Market Stability—An Interview With the Deputy Secretary of Xinjiang Uygur Autonomous Region's People's Government, Bai Pingzhi (4101 1627 3112)"]

[Text] Rectifying the economic order diligently to rise out of the appalling chaos in the production, construction, circulation, and distribution sectors is one of the four links in the rectification and improvement process emphasized by the 5th Plenary Session of the 13th Party Central Committee. How are we in Xinjiang doing in this area? What further rectification and improvement measures will be taken? I took these questions to the deputy secretary of the autonomous region's people's government, Bai Pingzhi.

Bai Pingzhi said, Xinjiang to the nation is like one piece in a chess game. Inevitably, like the nation, she is also suffering from supply-demand disequilibrium, inflation, economic chaos, and other problems. But, because Xinjiang steadfastly hangs on to her agricultural production, her agricultural foundation has not been weakened, and industry and agriculture have maintained a proper proportion, which lays the foundation for stabilizing the whole region's economy. Thus, compared to the rest of the country, Xinjiang's economic problems are different and are not quite as serious. Bai Pingzhi cited the excess demand over supply in society as example. He said, from 1984 to 1988, the national income has increased 70 percent while Xinjiang's income has increased 68.89 percent, which is at par with the national standard; the nation's fixed asset investment, however, has increased 214 percent and Xinjiang's has only increased 146.15 percent. Meanwhile, the nation's town and country residents' monetary income has increased 200 percent while Xinjiang's has increased only 121.23 percent. The total supply-demand disequilibrium is not quite as serious in Xinjiang compared to the rest of the country. Of course, this does not imply that Xinjiang's economy is not in chaos. The most serious economic problems here are the overall supply-demand disequilibrium, slowing agricultural development, the serious lag in communications- and energy-related constructions, financial deficits at the county government level, and low industrial production efficiency. These problems must be resolved one by one during the improvement and rectification process by means of thorough reforms.

Regarding the improvement and rectification of production and construction, Bai Pingzhi suggests that the important thing at this point is to increase effective production and cool the overheated demands. He said that to increase production, we must first raise the percentage of agricultural investments, enhance agricultural infrastructure, and develop the better town and township enterprises selectively. Next, we should maintain a proper rate of industrial growth and vigorously promote technological transformation, encourage innovation, tap potential, and strive to raise the enterprise labor productivity rate and fund profit-tax rate. To cool the overheated demands, we must first continue to control the scope of fixed asset investment, and second, limit the magnitude of price increase. Upon improvements and rectifications, we have achieved some success in these two areas. Bai Pingzhi cited several examples: It is estimated that Xinjiang's fixed asset investments are worth 2.88 billion yuan this year, and if we deduct the state's 500 million yuan local subsidy investments, our actual investment is only 380 million yuan above plan, and 80 percent of the excess portion are investments in private housing in the rural areas. Fixed asset investments under the ownership by the whole people and the ownership by the collective systems are basically under control. Last year, Xinjiang's town and country retail price index was 14.6 percent higher than the year before, ranking last in the country; up until October of this year, the price index is 18.3 percent higher, ranking third from

the bottom. But we must point out that out of the total price increase this year is about half the "tail-end effect" of the price adjustments of some agricultural and sideline products and capital goods last year, and the actual price hike this year is below 10 percent. Prices of most nonstaple foods have remained unchanged while some have even fallen. From now on, we must further limit the scope of fixed asset investment and skew even more toward the communications, energy, and raw materials sectors. Prices too should be further stabilized, striving to lower the inflation rate to below 10 percent within three years.

As for the management of the chaotic circulation and distribution sectors, after a year or so, we are seeing some results. Bai Pingzhi cited first the example of party and government cadres' business ventures. He said, statistics show that there were 173 enterprises operated by above-county level party and government organs in the region, and 762 party and government cadres at above-county level were working in enterprises part-time. Of this total, only a handful of individuals tried to abuse the power of their offices and organizational affiliations to trade "power" for "money" and circumvented fair competition in the market. Meanwhile, some companies continued to mix government and enterprises and took advantage of their power to approve their own projects, to allocate and transfer goods and materials, and to distribute funds to run their businesses and exploit the "dual-track" pricing system. They raised the price of crucial goods and materials and resold them at a huge profit, jeopardizing the entire society. Today, the above-county level party and government cadres working part-time in enterprises have resigned from either job, and 102 of the 173 party and government organ-run enterprises have separated themselves from those organs, 57 have been suspended or abolished, and the rest are being dealt with at this time.

Next, Bai Pingzhi talked about the progress in clearing out and rectifying the companies. He said, out of the 4,146 assorted companies in Xinjiang, 171 have recently been eliminated or merged. Some of those being eliminated are party and government organ-operated; some are "empty shell" companies without money, facilities, or workers; some are poorly managed, consistently money-losing companies with more liabilities than assets; and some are illegal operations aiming to make an exorbitant profit. Of the remaining more than 3,900 companies, less than a thousand are involved in production and technology development; the rest are commercial, foreign trade, goods and materials, financial, tourist and other service-type companies and are all in the circulation sector. Most of these companies are here to serve society's needs, and they play a positive role in productions and circulation. But to a region like Xinjiang that is comparatively backward economically, too many companies engaging in buying and reselling at huge profits only means that products are changing hands at every level, increasing the number of circulation links and in turn raising circulation costs, which

leads to higher product prices at the end. For this reason, Xinjiang must continue to sort out and consolidate the companies and follow the relevant policies to cut down the number of circulation-type companies and solve the problem of too many companies.

Bai Pingzhi went on to talk about the investigation of serious crimes involving companies. He said since last August, the region has tracked down 959 such cases; 475 of those cases have already closed and 484 are still under investigation. Out of the total, 382 cases involve individuals abusing the power of their companies to engage in corruption, theft, speculation and profiteering, and bribery; over 10,000 yuan changed hands in each incident, 243 of those cases have already been dealt with and the rest are being investigated. We must continue to crack down on these criminal activities which corrupt honesty in government, disrupt the socialist economic order, and exacerbate the already unfair social distribution. We must not go soft on the criminals.

On the question of strengthening market management, Bai Pingzhi put the emphasis on strengthening tax collection and management. He cited the tax bureau's data and said that, between January and September of this year, we have lost 1.14 million yuan in tax revenues to tax evasion and tax fraud in the individual industrial-commercial sector alone. In some districts, the tax evasion and tax fraud rate is as high as 70-80 percent. He said this phenomenon not only brings financial losses to the state but also widens the distribution gap in society and undermines social stability. In the future, we must perfect our tax collection and management systems and the industrial-commercial management policy and work system and really strengthen our market management. Meanwhile, we must educate the tax payers about paying taxes according to law and punish those who evade or defraud on taxes.

Large, Medium-Sized Enterprises Seen as Keys to Stable Economy

Facing 'Dual' Problems

90OH0233A Urumqi XINJIANG RIBAO in Chinese
2 Dec 89 pp 1, 3

[Article by Fan Xibin (4636 6007 2430): "Enlivening the Large and Medium-Sized Enterprises Is Key To Stabilizing the Economy—An Interview With the Chairman of the Xinjiang Uygur Autonomous Regional Economic Committee, Duan Zhenting (3008 2182 1694)"]

[Text] Recently, this reporter took the question of how to enliven the region's large- and medium-sized enterprises to the chairman of the Regional Economic Committee, Duan Zhenting.

[XINJIANG RIBAO] First, please explain to us the role and functions of the large- and medium-sized enterprises in Xinjiang's economy.

[Duan Zhenting] The large and medium-sized enterprises in the ownership by the whole people system are the mainstay of our economy. We have 115 large- and medium-sized enterprises in the ownership by the whole people system in Xinjiang. Although they only make up three percent of all independent-accounting industrial enterprises, they are an economic powerhouse. They own 66.4 percent of all fixed assets owned by independent-accounting industrial enterprises in the region and employ 39.1 percent of the workers and 65 percent of the technical cadres.

The large- and medium-sized enterprises play a pivotal role in promoting economic growth and generating financial revenues in the autonomous region. They account for 55.4 percent of the total output value generated by the region's independent-accounting industrial enterprises each year; they generate 63.8 percent of the profit taxes and are responsible for 59.6 percent of the profit taxes delivered to the state.

The large- and medium-sized enterprises produce goods that are essential to the region's economic development and to the people's subsistence. They produce all of the region's petroleum, processed petroleum products, small 4-wheel tractors, and television sets; more than 80 percent of the chemical fertilizers, steel and steel products, and industrial-use boilers, and 50 percent of the cotton yarn, cotton cloth, nylon, sugar, and electricity produced in the region. They are also indispensable in producing industrial goods for export to earn foreign exchange.

Thus, how sound the large- and medium-sized enterprises' production and operation and how profitable they are directly affect Xinjiang's political and economic stability.

[XINJIANG RIBAO] The large- and medium-sized enterprises do indeed have much to offer, but their present problems are also grave. What should we do, and what measures can we adopt, in order to enliven the large- and medium-sized enterprises?

[Duan Zhenting] At present, Xinjiang's large- and medium-sized enterprises are facing "dual" problems. They are adversely affected by the economic environment on the outside as well as by problems caused by the failures of their own internal mechanisms. The former condition is temporary, but to solve the latter problem would require continuous effort to improve enterprises' management mechanism which promotes development internally. To put it succinctly, today's enterprises have no staying power, cannot adapt to changes, and lack the ability to accumulate on their own and promote their own growth, and therefore they are dependent on the state and must borrow funds in order to survive. Enterprises themselves are fragile: One, their facilities are outdated, and they are slow in modernizing. For example, in 1988, the net value of fixed assets in the 54 budgeted large- and medium-sized enterprises have depreciated to 68.27 percent of their original value. Two, enterprises are operating under heavy debts. On the

average, the 54 budgeted large and medium-sized enterprises have only 17.48 percent of the funds, in the form of self-owned operating funds, needed to keep up normal production; the remainly more than 80 percent must be borrowed. They pay more than 60 million yuan a year in interests alone, which takes up 32 percent of their realized profits. Three, enterprise burden grows heavier each day. In 1988, the 54 budgeted large- and medium-sized enterprises had as much as 64.77 million yuan in retained profit, but in recent years, at the peak, more than 70 percent of the money have been spent on expanded reproduction and the rest must go to bonuses and staff and workers' collective benefits. However, energy and communications funds and loan repayments already cost 34.15 million yuan, and together with the bond subscriptions, the current year's development funds are depleted. Enterprises' nonoperating expenses too have been increasing too rapidly: In 1988, nonoperating expenses cost the 54 budgeted large- and medium-sized enterprises as much as 54.07 million yuan, which accounted for 83.48 percent of their retained profits.

If enterprises are to get out of this difficult situation, besides improving the external conditions and asking the state to give them essential support in terms of policy and funds, the enterprise contract management responsibility system must be improved first. The contract system not only is a practical choice for enlivening enterprises but is also something the masses of cadres and staff and workers have created through trial-and-error during enterprise reform. Thus, enterprises must continue to practice, stabilize, perfect, and further develop the contract responsibility system, and must not try to remove or change it.

Second, the plant supervisor (manager) responsibility system should continue to be practiced and improved upon. The right to run their own business now in the hands of enterprises should be not taken back. We should not only stress the plant supervisor's (manager) central role in an enterprise's operation and production but also the central political role of the enterprise's party organization. The plant supervisor (manager) and the secretary must be of one heart and one mind.

Third, the large- and medium-sized enterprises must immerse themselves in the "double expansion and double cutback" movement and conserve energy and lower their raw material consumption. They should break down the conservation quota for the workshops and the work teams and groups and link compliance to workers' bonuses. Meanwhile, enterprises must concentrate on technological transformations. They should develop a new product-mix, develop new technologies, strive to add new products, add new grades, improve quality, and raise standards, so as to make themselves more competitive.

Fourth, the banking, the goods and materials, and the electric power departments must adopt a skewed policy to give special assistance to the large- and medium-sized

enterprises. If enterprises should encounter fund problems when undergoing technological transformation, upgrading their facilities, promoting new technologies, and developing new products, the banks should extend vigorous support to help solve their problems. The electric power and goods and materials departments should give priority to the large- and medium-sized enterprises and meet their production needs first.

[XINJIANG RIBAO] In order to enliven the large- and medium-sized enterprises, should Xinjiang adopt a special policy to help these enterprises?

[Duan Zhenting] In fact, we have long been doing so. In order to give play to the large- and medium-sized enterprises as our mainstay enterprises and make sure that the autonomous region's economic growth and financial revenue satisfy state plans, Xinjiang needs special economic and industrial policies to help selective superior large- and medium-sized enterprises on matters of funds, credit, energy, raw material supply, transportation and communications, and foreign exchange in order to promote their development. For example, back when there was a stockpile of crude oil, steel products, and crude salt and other goods and materials waiting to be shipped out of the region, we worked out the problem with the Railways Department and secured priority in getting some railway wagons; when the television manufacturing industry ran into fund problem, we arranged a priority loan of 7 million yuan for them. The Xinjiang Uygur Autonomous Region has formulated special policies to give the large and medium-sized enterprises special support. The Xinjiang Chemical Fertilizer Plant used to be a big money-loser. In 1987, when enterprises first adopted the contract management responsibility system, the regional government gave that plant 21 million yuan to be used on technological transformation and equipment upgrading. We also helped solve their raw material supply problem and extended some preferential treatments. They generated 1.58 million yuan in profit that year, and between January and October of this year, they have made 5 million yuan in profit. Xinjiang gives the large- and medium-sized enterprises special help in many different areas. As for the enterprises themselves, they should make good use of those privileges and carry out thorough reform internally. Only in this way can they give play to their role as principal force.

Special Assistance to Iron, Steel Industry

90OH0233B Urumqi XINJIANG RIBAO in Chinese
2 Dec 89 p 1

[Article by reporter Xiao Huatong (5618 5478 1016): "Xinjiang Uygur Autonomous Region Adopts a Skewed Policy Favoring Large- and Medium-Sized Enterprises"]

[Text] Urumqi News—In order to protect the large- and medium-sized enterprises' industrial production, Xinjiang's People's Government has adopted a skewed policy to help Bayi Iron and Steel Plant. In the last two

months, Xinjiang's Economic Committee and the Urumqi Railways Bureau changed the transport schedules and made 3,492 railway wagons available to Bayi Iron and Steel to bring in and ship out 186,000 tons of ores and steel and helped ease the shortage of staple raw materials and move the stockpile of steel products.

This year, because the autonomous region is bringing in less and shipping out more goods and materials, railway transport has been a problem. The iron ores and limestone and other staple raw materials urgently needed by Bayi could not be delivered on time, nor could steel products and raw iron and other metallurgical products be shipped out, thus creating a huge stockpile which adversely affected enterprise cash flow and normal production. In view of this situation, Xinjiang's people's government decided to adopt a skewed policy to help Bayi Iron and Steel. The regional economic committee and the Urumqi railways bureau immediately changed the transport schedule and gave rail-transport of Bayi Steel and Iron's goods and materials first priority.

In an effort to solve Bayi Steel and Iron's problems, leaders of the Urumqi railways bureau convened a working-on-the-spot meeting in September at the Urumqi branch bureau and studied and solved Bayi's goods and materials transport problems. Comrades in pertinent departments of the railways bureau also went out to the plant to learn more about the transport of staple raw materials and saw the stockpile of steel materials for themselves. Immediately afterwards, they decided to make more railway wagons available to Bayi Iron and Steel as of 20 September.

Bayi Iron and Steel's staple raw material shortage and steel product stockpile problems have clearly been smoothed out. In the last two months, iron and steel production has resumed a steady, upward trend.

Xinjiang's Foreign Investment Revenue Increases

90OH0232B Urumqi XINJIANG RIBAO in Chinese
1 Dec 89 p 1

[Article by Zhu Keyong (4281 4430 0516): "Xinjiang's Revenue From Foreign Economic Relations Continues To Increase"]

[Text] Urumqi News—In the wake of the implementation of the policy of opening up to the outside world, Xinjiang's tax revenue from foreign economic relations has continued to increase. Since the first Sino-foreign joint venture enterprise was put under a foreign economic relations tax collection and management system in 1983, Xinjiang has collected more than 60 million yuan in tax revenues, highest in the northwest region.

In recent years, Xinjiang has continued to improve her foreign investment environment to suit actual conditions, and while protecting the state's rights and privileges, she has lowered taxes, broadened her preferential treatment, simplified all procedures, and has established some tax regulations pertaining to foreign economic

relations in an effort to increase foreign businessmen's confidence in investing in Xinjiang. At present, there are 40 foreign-funded enterprises, permanent foreign representatives, and foreign contracting companies in Xinjiang. In 1983, foreign economic relations only generated slightly more than 1.9 million yuan in tax revenue; in 1988, more than 17 million yuan was collected, an increase of nearly nine times in five years. This year, despite the turmoil and the counterrevolutionary rebellion in Beijing, Xinjiang still manages to keep up the normal rate of increase in tax revenue from foreign economic relations; up to the end of October, more than 17 million yuan have already been collected.

Shanghai Boasts Most Direct-Dial Telephones

OW2101081690 Beijing XINHUA in English
0113 GMT 21 Jan 90

[Text] Shanghai, January 21 (XINHUA)—The number of direct dial telephone subscribers in Shanghai reached 52,493 by the end of last year, the largest number in China, according to the Shanghai long distance telecommunications office.

The number of long-distance telephone subscribers is expected to reach 80,000 by the end of this year.

Shanghai began its direct dialing service only a few years ago. There were only 3,000 subscribers in 1988. In two years the number was increased by over 17 times, and 66.51 percent of the telephones have been automated.

In the past, Guangzhou, capital of south China's Guangdong Province, had the largest number of direct dialing telephone subscribers among Chinese cities.

FINANCE, BANKING

Funding for Capital-Short Enterprises Examined

90OH0239A Beijing JINRONG SHIBAO in Chinese
16 Dec 89 p 2

[Article by Liu Hua (0491 7520) and Yao Min (1202 2404): "Proper Concentration of Credit Funds Needed"]

[Text] Concentrating credit funds and invigorating the economy are two things that cannot be done at the expense of each other. During the period of readjustment today and for some time to come, the problem of a proper concentration of credit funds stares banks in the face. This is manifested in three ways for the Industrial and Commercial Bank in Ganzhou Prefecture:

First, in order to put a damper on the overheating of the economy and control inflation, the state has proposed a "double tightening" policy for the treasury and banks to force banks to be "parsimonious," using extremely limited funds where they are likely to do the most good. This requires that funds be concentrated for use. The Ganzhou Prefecture Industrial and Commercial Bank

resorted to a strategy of "cutbacks followed by readjustments," cutting back 66.39 million yuan of credit funds for industrial and commercial enterprises throughout the prefecture, allocating them for the use of first and second category enterprises.

Second, in order to readjust the structure of industries and of products, and to solve structural imbalance problems, in March 1989, the State Council promulgated "Decisions on Key Points in Current Industrial Policies." In carrying out this policy, banks will naturally have to concentrate credit on key industries and products covered by industrial policy, tilting their investments.

Third, in the wake of quelling the disturbances, the state emphasized the mainstay and backbone position and role of state-owned enterprises, particularly large- and medium-size state-owned enterprises, publishing a list of 500 large enterprises. The "state contingent" funds issue became a hot topic recently. Concentration of funds to take care of key projects is also a new requirement in bank issuance of credit.

Actually, banks at all levels have devoted serious attention in their work to the need for concentrated use of bank credit funds in view of the economic situation, and this need has been satisfied in varying degrees and in different ways. The Ganzhou Prefecture Industrial and Commercial Bank's experiences show six main ways have been used to concentrate credit funds.

1. When allocations were made at the beginning of the year, a block of funds was sliced off. In view of the funds shortage prevailing at the beginning of the year, the Ganzhou bank held back 12.6 million yuan for the concentrated use of key branch banks, both in order to assure the fund needs for normal production of local enterprises paying large sums in taxes and profits, and in order to solve the extremely urgent problem of payment arrears resulting from an exchange shortfall.

2. The bank withheld second class savings reserves. Except for savings reserves that had to be turned over to the states in accordance with regulations, six percent of second class savings reserves were withheld each month from county branch banks, two percent of which were turned over to the provincial branch bank, and four percent of which were concentrated in sub-branch banks within the prefecture, this concentration being made to insure a supply of funds for key enterprises in the province and the prefecture. During the year, the prefecture concentrated 17.4 million yuan in second class reserves.

3. The bank withheld funds pledged for the settlement of accounts. In 1989, the main office and branches of the Industrial and Commercial Bank ruled that sub-branch banks in all counties were to figure funds pledged for the settlement of accounts at 30 percent of the 1988 balance of outward remittances, concentrating 10 and 20 percent respectively for use as reserves by the provincial branch

and the head office. A total of 12.46 million yuan of such funds were concentrated throughout the prefecture.

4. Administratively allocate start-up funds. The blocks of start-up funds passed downward by the head offices of the People's Bank and the Industrial and Commercial Bank were directly allocated to designated credit units. As of the end of September, the Ganzhou Industrial and Commercial Bank had released 30.2 million yuan in start-up funds to banks under its jurisdiction.

5. A total of 66.39 million yuan obtained from the curtailment of loans to industrial and commercial enterprises throughout the prefecture were concentrated for the use of category one and two enterprises.

6. Reallocation of funds permitted the establishment of a credit structure readjustment fund. Acting on instructions from the head office of the Industrial and Commercial Bank to use four percent of savings for credit to enliven industrial enterprises, and five percent to enliven commercial enterprises, in August, the Ganzhou Industrial and Commercial Bank designed an assigned amount of funds to be transferred, the figure based on credit balances of sub-branch banks in each county at the end of the previous year. The bank then concentrated these funds in key sub-branch banks to serve as a credit structure readjustment fund to be used in regulating the fund needs of key enterprises in each county. By the end of September, thanks to this funds transfer, 15.15 million yuan was concentrated in the credit structure readjustment fund.

The funds concentration method that the Ganzhou Prefecture Industrial and Commercial Bank worked out through practice effectively concentrated a total of 154.2 million yuan. The additional credit extended to 37 key enterprises throughout the prefecture from January through September took 76.11 percent of the total credit added in this way. As of the end of September, the credit balance of first and second category enterprises as a percentage of the total credit figure for the whole prefecture increased from 88.35 to 91.16 percent.

The foregoing method was exploratory, however; it was a constantly perfected process. We feel that attention still has to be paid to the handling of the following several problems in concentrating funds:

1. The immediate and long-range interests problem. The funds concentration methods that banks at all levels use today have one common feature, namely their temporary and emergency nature. Even though effective, they are prone, in some regards, to cause damage to the long term development of the economy and banking.

2. The problem of concurrent concern for the partial and the whole. The current economic situation demands that banks emphasize the concentration of funds, an appropriate amount of credit control authority being withdrawn from banks. Since the concentrated funds usually

have to be sent outside the local area, and are used across prefecture lines, local and partial interests are bound to be adversely affected.

3. The problem of extent of concentration and dispersal. the concentration of funds that we stress today is not a concentration in the traditional planned economy sense, but rather a suitable degree of concentration that is a concentration of funds corresponding to development of a planned commodity economy. Consequently, how to control the degree, the scope, and the percentage of concentration has to be flexibly decided during the actual concentration process, and as changes occur in the development of the economy.

4. The problem of the responsibilities of the central bank and specialized banks. Now we have to spell out more clearly the objective requirement for greater emphasis on the concentration of credit funds during the stage of improving the economic environment and restructuring the economic order. We have to build a credit funds concentration system that is as complete and as perfect as possible through the standardization and systemization of the emergency and temporary credit funds concentration methods. This has two aspects. One is the building of a credit management system in which credit for policy purposes and for business purposes are separated within the special banking system. This includes a financial system of separate specific account deposits, specific control, and specific accounting for sources and utilization of concentrated credit funds. Only when separate credit control systems for credit policy purposes and business purposes are set up within specialized banks can the problem of credit funds concentration and dispersal be clarified and handled. Second, the central bank should also establish a system for regulating, controlling, and guiding specialized banks in funds operations. In addition to taking the needed administrative actions to regulate and control funds, benefits guidance systems for matters such as interest rates and subsidies must be established to guide specialized banks in willingly concentrating funds.

Need Seen for Tighter Controls on Banking System

90OH0239C Beijing JINRONG SHIBAO in Chinese
16 Dec 89 p 2

[Article by Bai Chunzhi (4101 4783 2535) and Chen Dexin (7115 1795 2450): "Harmful Competition Among Banks Increasing Rather Than Decreasing"]

[Text] In a followup to the war for public funds deposits that occurred among banks in some areas in 1988, the momentum of the battle has increased rather than diminished in 1989. It raged with greater force and began earlier in the year than previously. Banks have engaged in a free-for-all, and enterprises, which have suffered grievous harm, complained incessantly.

The tumultuous situation that has taken place in the banking system in some places is manifested in the

following ways: Stealing of savings accounts from each other; authorizedly raising savings interest rates; arbitrarily refusing units' checks for legitimate and regular payments, the number of such refused checks increasing daily, and the amount of money involved increasing regularly. Some specialized banks that lack sufficient operating funds have found all sorts of pretexts for refusing to release remittances belonging to other banks that have been collected elsewhere, enterprises consequently having no way to convert income they have received.

Why has such a tumultuous situation steadily occurred in the banking system in recent years? On the basis of the writers' observations, the main reasons are four:

1. The unseemly competition between banks and other financial institutions is the main reason for the tumult in the banking system. In recent years, all banks and other financial institutions in some places have set quotas and offered rewards for bringing in public fund deposits at low interest rates, and for entering into contracts down the line. They have used their influence to engage in a free for all with each other, and some specialized banks have even officially written to units to force them to deposit funds in their bank. Moreover, since the total amount of public savings in society is limited, inevitably one bank's rise means another bank's decline. Such actions are bound to lead to turmoil in the banking system within society and adversely affect the normal movement of funds in society.

2. Excessively lax control and lack of vigorous supervision. At the end of 1988, some banks greatly falsified the amount of public deposits as a matter of preserving their pride, and early in 1989 another tremendous slippage in such deposits occurred. Even though the head office of the People's Bank and the Ministry of Supervision jointly issued "Regulations on Financial Audit Investigations and Fines," enforcement has not been sufficiently vigorous. As a result, some grassroots banks have paid no attention to the "Regulations," and have continued to go their own way.

3. Some regulations are not been spelled out strictly enough, providing loopholes that can be exploited, and this is also a reason for the tumult in the banking system. For example, the principles set forth in the instructions on reasons for the refusal of checks in bank clearings are not sufficiently explicit. This permits each party to do as he pleases, and to find opportunity to refuse checks for ordinary payments. In addition, clear-cut regulations are lacking with regard to the examination and approval required to refuse checks. Some clearing personnel and bookkeepers have authority to decide check refusals.

4. Some specialized banks that lack sufficient operating funds set up their own rules with regard to the honoring of remittances, arbitrarily refusing payment and bouncing checks. During the current tightening of the money supply when markets are soft, enterprises lack funds, and turnover is difficult, some banks resort to

obstruction, refusals, and pressure to get funds and to hold on them. This puts roadblocks in the way of final settlements and the movement of some funds in society. It is impossible to sit idly by in the face of this chaotic situation. Strong efforts must be made early to improve the economic environment and restructure the economic order; otherwise, confidence in banks will be damaged and normal economic transactions impaired. To summarize the foregoing, the writers believe that in order to restructure the banking system, the following several tasks must be performed:

1. Vigorous publicity should be given to the implementation of "Regulations on Financial Audit Investigations and Fines" from the Ministry of Supervision and the head office of the People's Bank so that the broad masses of staff members and workers in banks at all levels will better observe banking procedures, gaining knowledge of "The Regulations," understanding of "The Regulations," and strict enforcement of "The Regulations." Banking institutions should launch a self-examination as a basis for a public investigation and disposition of various violations of discipline by an inspection team organized by the Ministry of Supervision and the People's Bank in order to safeguard the solemnity of banking procedures.

2. Elevation of the People's Bank's central position in controlling banks, enhancing the functions of the central bank. Currently, the People's Bank and all specialized banks share a position of equality, which makes it difficult for the central bank to exercise its function. Organizationally, the People's Bank organization should be extended into all prefectures and counties. If such an extension is not possible for the time being, banking supervision and control personnel should be sent to each prefecture and county, or a banking supervision and control office should be established there. This will permit both timely supervision and investigation, and coordination locally of relationships among all banking institutions.

3. Strict separation of the professional purview and the clientele of all specialized banks, and other nonbank financial institutions for a weakening of competition among banks and a reduction of professional overlapping. The issue of establishing specialized banks should be studied in terms of specific circumstances in each jurisdiction. Specialized banks should not contract or issue command-style plans about public fund deposits.

Banks having a long-term shortage of operating funds, which are unable to handle remittance activities, should either augment their operating funds within a certain period of time, or halt their remittance activities. Specialized banks positively may not become a law unto themselves, using various pretexts for limiting remittance payments for which they should be responsible for payment. This is a means for insuring that enterprises receive receipts due them.

4. Pertinent paragraphs in the bank clearing and check refusal instructions should be revised and perfected once again to make them more specific and explicit. No bank is authorized to add new reasons for refusing checks. All banks should assign needed authority for dealing with check refusals. When checks with fairly strong policy or principle overtones are to be returned, the concurrence of top level leaders in charge at the branch bank (office) is to be requested, a "responsibility system" instituted, and an original records system should be established and perfected for auditing purposes.

Tax Scams Said To Cost State Huge Sums

90OH0239B Beijing BAN YUE TAN
[SEMIMONTHLY TALKS] in Chinese
No 23, 10 Dec 89 pp 8-10

[Article by Li Xiaolin (2621 1420 2651): "Where Has the 'Water in the River of Wealth' Gone?"—The Erosion of State Financial and Tax Revenues as Reflected in Dalian"]

[Text] In 1987, Dalian's funds not covered by the budget amounted to only one-fourth of funds within the budget, but today the two are even, and the trend is toward extrabudgetary funds greatly surpassing funds within the budget. May one ask, how the water that was supposed to have entered the national "river of wealth" drained away?

Interception "Dams" built to channel the flow at the source of the "river of wealth." First, products within plan were transferred outside plan for sale at high prices, the difference in price obtained becoming enterprises' own funds. Such a phenomenon is extremely common among industrial enterprises in the country. It is most serious particularly in the metallurgy, chemical engineering, textile, petroleum, and coal industries, or in enterprises that produce commodities in very great demand such as television sets and refrigerators. A flick of the baton in the hands of plant managers and directors of such enterprises, and products within plan change into products outside plan, and the water detours around the national "river of riches," and into the enterprise's "small river." This has produced a strange phenomenon, namely that enterprises output rises meteorically, yet state plan cannot be fulfilled. Second, profits are not entered into accounts, so the state collects less profit and taxes. Given these circumstances, some enterprises use gains to prevent losses, while a larger number of enterprises secretly convert these profits into their own funds, or turn them into cash to be used in issuing bonuses to staff members and workers, or for welfare purposes.

Deception If one says that "interception" is an "attack that is brazen and bold in nature," then deception is a sneaky "attack that is technical in nature." To use the argot of the financial world, it is called "eating costs." There are two "ways of eating costs." One is not entering the costs that should be entered into accounts, but rather "technically" processing actually very high costs to make

them very low in order to show a false profit with the goal of pilfering profits and evading taxes, thereby boosting receipts and funds available for bonuses. A certain leather shoe factory in Dalian accumulated profits approaching 2.03 million yuan during the past several years. For this, the factory manager was hailed as an outstanding star among factory managers in Liaoning Province, and the staff members and workers in the factory divided up more than 300,000 yuan in bonuses. Actually this "star enterprise" in Liaoning Province was a failing enterprise with losses amounting to more than 3.9 million yuan. Recently, the Dalian Municipal government inspected 200 enterprises finding more than 87 enterprises that had recorded costs dishonestly, the difference between recorded and actual costs totaling 83.45 million yuan. One financial expert said that this "pestilence" of false profits is becoming increasingly widespread, causing not only losses for the state but also producing a false image of the economy that causes wrong state policy decisions.

Conversely, another way of "eating costs" is to enter costs into accounts that should not be entered, increasing costs artificially. This results in decreased profits requiring that higher authority reduce payments to be made to the state, thereby decreasing the state's profits and tax receipts. Some enterprises take no losses at all. Items that should be entered into the accounts as costs are "technically" processed in a financial sense and come out as the enterprise's own money. A substantial percentage of Dalian City's more than 3,000 enterprises "ate costs" by using this method of increasing costs, tens of millions of yuan being carried as costs on ledgers each year in enterprises covered by the budget alone. No wonder people say that nowadays enterprises usually have four sets of account books: one for the state, one for the plant operators, one for the factory staff member and worker representative assembly, and a "top secret" one belonging to the factory manager himself.

Exploitation Exploitation of loopholes in state policies to dig holes and make openings in the dikes of the "river of wealth" to divert the water. When the state advocated lateral partnerships, some enterprises used the partnerships to pilfer profits and tax money. When a steel mill in Dalian went into partnership with a township and town enterprise, the steel mill provided the partnership plant with processed steel in very great demand, and the partnership plant distributed eggs, fish and shellfish, apples, and fresh vegetable as profits to the steel mill. The staff members and workers were able to gorge themselves, but the state looked on helplessly as it received less in profits and taxes. Such a phenomenon is not uncommon in similar partnership enterprises in Dalian.

When the state encouraged the formation of small accounting units, the profits that some of the branch plants or workshops in an enterprise turned over to the main plant never appeared in the main plant's accounts.

Instead, they were secretly converted into the enterprise's own funds or into cash used for paying bonuses or used for welfare purposes.

When the state permitted plants themselves to sell excess production, some plants exchanged their excess products for refrigerators, television sets, washing machines, non-staple foods, or other daily necessities for their staff members and workers.

When the state permitted enterprises to transfer technology, to export labor services, and to process imported raw materials, the state saw precious little of the proceeds, some of which were converted to goods, some of which were hidden in accountings, and some of which were collected in cash. All proceeds were completely divided up.

Pilfering Tax cheating and tax evasion. This technique is particularly used by township and town enterprises and individual household. Tax units call it a "tax eating" tiger that is difficult to subdue. In some cases, only a business permit is obtained without registering for payment of taxes. In other cases, every possible scam is used to obtain the status of a collective for which taxes are reduced or waived in order to benefit from state tax reduction or exemption. In other cases payouts are made instead of paying taxes. No account books are kept, false accounts are kept, or off-the-books cash transactions are employed for tax cheating and evasion. In some cases, a process of sub-contracting or sub-leasing is used to cheat on and evade taxes. In some cases, phoney invoices are issued for tax cheating and tax evasion; and in some cases tax loopholes provided by links in the circulation of commodities and by tax agency's difficulties in accurately assessing taxes on some commodities are used for tax cheating and tax evasion. In Dalian City, individual households and township and town enterprises employed no fewer than 20 different methods for cheating on and evading taxation. In Dalian City alone, tax losses from individual households and from township and town enterprises amount to tens of millions of yuan annually.

The foregoing tricks are truly of many kinds, and do not lack for ingenuity. They really succeed in the goal of "gouging the state and enriching oneself." Why is this? Just who is responsible?

Reason Number 1: State policies lose sight of some matters when attending to others. For example, when the "dual track system" for prices was instituted, problems with commodity circulation links were overlooked; when "term-in-office contracting" was instituted in industrial enterprise, actions to prevent contractors from being concerned only with actions that gained them short-term benefit were ignored; when tax reduction and the making of concessions was instituted, the use of retained profits and taxes was ignored; and when township and town enterprises and the individual economy were developed, the establishment of a relatively perfect control system

was ignored. This brought about a decline in the effectiveness of state policies or even produced a negative effect in some cases.

Reason Number 2: Malfunctioning of Financial Regulation and Control Within State Budget. The dramatic ballooning of funds not covered by the budget has led to difficulties in using the financial levers for funds within the budget to regulate and control economic development. Capital construction projects within budget have been held down, only to have those outside of budget mount. Consumption funds within budget have been controlled only to have consumption funds outside budget behave like a wild horse that has slipped its halter. This has made it impossible, in turn, to tighten regulation and control of funds within budget that should be tightened, and to ease regulation and control over funds outside budget that should be eased, producing "deformed regulation and control."

Reason Number 3: Decline in the Amount of Enterprise Control. Once enterprises began contracting, the "substitution of contracting for control" became extremely commonplace. So long as contracted norms were fulfilled, this single beautiful act could cover a hundred flaws. Not long ago, the Dalian Municipal government investigated funds management in 200 enterprises, finding problems existing to a greater or larger extent in all. The Dalian tape recorder plant, which sold goods on commission and on credit, was unable to account for the whereabouts of millions of yuan worth of products. One enterprise management cadre sighted and said, "Gad! All the effort made to establish a regulatory system during the restructuring of 1982 and 1983 have been wasted. If we go on this way paying attention only to money but not to management, our enterprise cannot be saved!"

Reason Number 4: Chaotic Financial Order. As a result of the competition of numerous banks to attract savings, bank supervision of credit and supervision of final settlements has become increasingly poor. Enterprises can set up several account numbers in multiple banks, thereby creating convenient conditions for pilfering profits and cheating on taxes by hiding enterprises' funds in private accounts, diverting cash, engaging in illegal operations, and concealing income. Some banks even abet them in malfeasance by encouraging or making mandatory the diversion of enterprises' final settlement funds into savings accounts, or transferring enterprises' working capital or funds designated for specific purposes into savings accounts, which become a "shelter" for cheating and evading payments of taxes and profits.

Reason Number 5. Pusillanimous Legal System. Financial and economic discipline and laws have done very little to restrain enterprises in recent years. If you have a policy, I have a way to negate it has been the rule. Although large scale investigations are conducted year after year, since they do not penetrate to the "quick," not only are results not marked, but such investigations

"toughen" enterprises' "resistance" to such investigations. The repeated violations of discipline have created a serious loss of funds. Furthermore, since laws are not enforced strictly, tax laws have seemed to lack teeth ever since their inception. In 1988 the Dalian Municipal Procuratorate began cases in which individual households evaded 10,000 yuan in taxes. After much arguing back and forth, the people involved were released. They resigned themselves saying: "Mao Amin [3029 7093 2404] cheated hundreds of thousands of yuan on his taxes, and he got away with it. How can this 10,000 yuan case be tried?" Reportedly Dalian City prosecuted nearly 100 tax cheating and tax evasion cases involving more than 100 million yuan in 1988, none of which was punished by law. Some individual households said openly: "That's that. It was just a fine anyhow. So long as we didn't go in (to jail), we'll be able to earn it back in a few days!" Some personnel concerned with enterprise taxes said that the tax laws used to be a steel knife, but now they have become a "wax gun."

Such a serious loss of state financial income is caused, fundamentally, by the improper regulation of profits. Obviously, this situation cannot be changed by hoping that certain units and individuals will show mercy and gouge the state less. We must make the state's policies more scientific, and make macroeconomic control more effective, as well as devote strong efforts to improving legislation and law enforcement. The water from the "river of wealth" can be made to rise, but the key lies in what system we use to ensure that it rises.

INDUSTRY

Update on Chemical Fiber Industry

40060022A Beijing ZHONGGUO FANGZHI BAO
6 Nov 89 p 1

[Summary] By the end of the Seventh 5-Year Plan China's chemical fiber production will reach 1.45 million tons, with an average annual growth rate of about 9 percent. By 1995 chemical fiber production should reach 2-2.1 million tons.

China's chemical fiber industry has developed rather quickly. In 1981, 527,000 tons of chemical fiber were produced; by 1986 China ranked fourth in the world in chemical fiber production, with an output of over 1 million tons. In 1988, 1.3 million tons were produced. There was a corresponding increase in the average amount of fibers per capita, from 3.45 kg in 1985 to 5.3 kg in 1988; the average amount of chemical fibers per capita rose from 1.1 kg in 1985 to 1.6 kg in 1988. By 1995 the average amount of chemical fibers per capita should be about 2 kg.

Chemical fiber use in the textile industry has also increased. The industry used 5.65 million tons of fibers in 1987, including 415,000 tons of natural fibers and 1.5 million tons of chemical fibers, or 27 percent of the industry's total fiber consumption. In 1988, the industry

used 6 million tons of fibers, including 1.75 million tons of chemical fibers, or 29 percent of total fiber consumption. By 1995 chemical fibers will provide 32 percent of fibers used by the textile industry, a rate which is still low when compared with that of developed countries.

Raw Materials

Currently China's ability to produce chemical fibers is limited by raw material shortages and price restrictions. For instance, short polyester fiber production is only working at two-thirds of capacity. China needs to build a base of chemical fiber raw materials through central and local initiatives, as well as foreign investments and joint ventures. China should also support technical improvements in petrochemical systems that are the base for some chemical fibers, in order to expand raw materials supply capabilities.

Product Structure

During the Seventh 5-Year Plan China adjusted its chemical fiber production mix, with emphasis on fiber lengths and variety. In 1985 the production ratio of long to short fibers was 2:8, and in 1990 it will be 3:7. Shifts in production of chemical fiber varieties have occurred as well, with acrylic fibers accounting for an increasing proportion of production. Further growth is expected as ongoing acrylic fiber construction projects are completed and enter operations during the Eighth 5-Year Plan. In addition, the production capacity of polyamide fibers is also expected to increase. By 1995, the ratio of polyester, acrylic, polyamide, and other fibers will be 6:2:1:1, and overall fiber production will be more rationally adjusted.

Currently there are 328 chemical fiber enterprises in China, 30 of which have a production capacity exceeding 10,000 tons of fiber, accounting for 10 percent of total production; 55 enterprises have a production capacity of 5,000-10,000 tons, accounting for 15 percent of total production. The remaining enterprises, which produce under 5,000 tons each, are neither efficient nor economical. Such enterprises should expand production of long and short fibers to 5,000-10,000 tons and 10,000-50,000 tons respectively. They may gradually evolve into selective chemical fiber factories which produce greater varieties of fibers in smaller batches, thus strengthening China's competitiveness and supply capabilities.

Developing Selective Chemical Fibers

Over the past five years production of selective chemical fibers has increased at an average rate of 30 percent. In 1988 production reached 130,000 tons, accounting for 10 percent of chemical fiber production. It is estimated that selective chemical fibers will account for 13 to 15 percent of total chemical fiber production in 1990, and 15 to 17 percent by 1995. Selective and other high-value-added chemical fibers will be an important avenue for developing new textile products in the next few years. Areas of interest include imitation natural fibers, especially wool and silk; fibers with special attributes, such as

high absorbency and fire-resistance; and complex craft technologies, such as compound fibers, yarns, fabrics, and other materials.

Anshan Iron, Steel Company Adds Cold-Rolling Plant

OW0901084790 Beijing XINHUA in English
1302 GMT 8 Jan 90

[Text] Beijing, January 8 (XINHUA)—A new plant has been built to produce cold rolled steel plate at the Anshan Iron and Steel Company, China's biggest iron and steel complex, according to today's edition of ECONOMIC INFORMATION.

The plant, with an annual production capacity of 800,000 tons, went into production just before the beginning of the new year.

The new plant will increase by 20 percent the country's output of thin cold-rolled steel plate. China used to import a large quantity of the plates, equal to 80 percent of its total annual output.

It took less than one year to complete the construction of the plant. The cost of construction was about 300 million yuan (65 million U.S. dollars), which was all collected by the company itself.

The four cold-rolling mills and some production lines of the new plant were imported from the Federal Republic of Germany and Austria.

Production Quota

OW1101140090 Beijing XINHUA in English
0815 GMT 10 Jan 90

[Text] Hohhot, January 10 (XINHUA)—Baotou Iron, Steel, and Rare Earth Company, one of China's eight major iron and steel complexes, overfulfilled its state production quota in 1989.

The company produced 2.3 million tons of iron and 2.22 million tons of steel, 10 percent more than the previous year.

The company turned over to the state 269 million yuan, 50 million yuan more than in 1988.

The company also solved 80 technical problems and improved management. It was named a second-grade national enterprise.

Hunan Plant Produces New Electric Locomotives

OW1201210790 Beijing XINHUA in English
1307 GMT 12 Jan 90

[Text] Changsha, January 12 (XINHUA)—The Zhuzhou Electric Locomotive Plant in central China's Hunan Province is producing a new model of electric locomotive for China's electrified railways.

The engine, Shaoshan No.4, was jointly developed by the plant and the Zhuzhou Electric Locomotive Research

Institute. It has a haulage capacity of 6,400 kW and a maximum speed of 100 km per hour. All parts of the locomotive are made in China.

The plant produced five Shaoshan No.4 engines last year and will produce 15 this year. All will be used on the Baoji-Chengdu railway, running in mountainous areas between Baoji city in Shaanxi Province and Chengdu, capital of Sichuan Province.

The Zhuzhou plant began making electric locomotives in 1958. Over the past three decades it has produced 1,200 of them for electrified railways in China.

SMALL-SCALE ENTERPRISES

'Vague' Property Rights Policies Hold Back Private Economy

90OH0148A Shanghai CAIJING YANJIU [THE STUDY OF FINANCE AND ECONOMICS] in Chinese
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[Article by Chen Baorong (7115 1405 2837): "To Develop Private Economy, We Must Clarify Property Rights"]

[Text] The reappearance of private economy in China broke the monopoly wielded by public ownership ever since the 1956 "transformation of private ownership" and marked the first step toward the creation of a system in which public and private ownership coexist, with public ownership predominating. This was a major achievement of the reform of property rights. Proprietors' title to the firms they operate ought to have been very explicit and needed no discussion. But with the rapid development of private economy, a variety of factors external to private companies obfuscated the issue of whether or not the assets of some private firms necessarily belong to the firms' proprietors and blurred property rights, which developments pose a salient impediment to the further development of private economy.

I

Property right confusion has occurred primarily in the following ways.

1. *Asset title in many firms that are collective in name but private in reality is muddled.* This type of company bears a collective enterprise name and business permit but in fact is privately capitalized. Some of these firms use idle collective warehouses and yards and hired workers and pay administrative fees to relevant departments in charge of collective enterprises. For such firms, property right contradictions usually do not become acute. But whenever the firms break off relations with relevant departments in charge of collectives or go bankrupt and close, the issues of who owns the firms' assets or of how those assets should be apportioned do erupt into intense contradiction. As collective departments see it, the firms' business permits, production, marketing, and raw

material supply channels; and even loans, tax abatements, and the like all are the types employed by collective enterprises; or the firms enjoy the special preferences reserved for collective enterprises, and thus the assets the firms accumulate should be viewed as collectively owned. The firms' managers, namely proprietors, on the other hand, argue that collective departments did not invest in the firms, participate in the firms' management, or even intervene in the firms' distribution; that all of the firms' assets were put or built up privately; thus, that collective departments are not entitled to those assets. Such Disputes often are difficult to sort out and resolve. Take, for example, the Hongqi Handicrafts Company of Huangyan County, Zhejiang. Responsible comrades of the township industrial office argue that their agency provided the marketing channels and land used by the company, that the firm received tax abatements reserved for collective enterprises, and that its assets therefore are collectively owned. The village CPC branch secretary claims that the company operated under the signboard of a collective, so its assets ought to belong to the collective. The company's director, on the other hand, argues that the firm's funds, equipment, and technology were put up or assembled privately and that the firm's 400,000-plus yuan in assets were amassed through private operations and thus cannot revert to collective ownership. This company is not an exceptional case. Many enterprises run by neighborhoods, townships, towns and, especially, sub-village brigades are in this boat. According to a survey conducted of Chuansha County, Shanghai, of 92 sub-village brigade-run enterprises, 12 were capitalized collectively, practiced unified production management and distribution, and were truly collectively owned, whereas property rights within the other 80-odd firms were to varying degrees in dispute. Throughout Chuansha, 1,300 sub-village brigade-run firms, or 59 percent of the total number of such enterprises in the county, experienced such disputes.

2. *In using their firms' after-tax accumulation, many proprietors have been accused of "embezzlement" of collective property.* The Suoda Engraving, Mounting, and Decoration Services Store, of Shanghai, was founded and jointly capitalized by a person on leave without pay and by the Shanghai Scientific and Technological Development Exchange Center. After the center withdrew all of its investment in May 1986, Suoda actually managed to keep growing, by continuously expanding reproduction, from an individual firm to a private company involving as many as 100 persons. But when the proprietor, on his own volition, went to sell off assets, the Shanghai Branch Procuratorate, in October 1988, initiated an investigation of Suoda by examining the firm's original vouchers so as to determine the proprietor's "guilt with respect to the crime of corruption." This dealt a psychological blow to the proprietor and severely undermined the firm's operations. In Fuyu County, Jilin, a certain individual runs a transport cooperative, whose funds, plant, and equipment belong to him. Someone, however, accused him of "embezzling" 70,000

yuan in collective property, which he in fact privately owns. He has repeatedly protested that the charge is unjust. In Handan City, Hebei, an individual opened a shop, which he funded and operated himself. It was subsequently discovered that he had diverted 150,000 yuan of the shop's funds, so he was convicted of "corruption." Such disputes arising from blurred property rights repeatedly occur in many regions.

3. *Vague policy regulations blur private firm property rights.* In the initial period following revival of individual economy, the state, to encourage the development of that economy, applied to it the 8-grade progressive tax, which is reserved for collective enterprises engaging in handicrafts, rather than the usual 14-bracket tax. As individual economy expanded and its profits mushroomed, proprietors' incomes steadily climbed. To appropriately restrain excessive incomes, the state applied a 10-bracket income tax to individual economy, with the highest rate set at 84 percent. But excessively high tax rates discouraged proprietors from expanding their operations, thereby impeding the development of private enterprise. In an effort both to restrain excessively high incomes and to induce firms to keep expanding reproduction, the State Council in June 1988 promulgated the Provisional Regulations Governing Private Companies, which stipulated: "The share of funds retained out of the after-tax profits earned by private companies for the expansion of production shall not be less than 50 percent. If, for exceptional reason, firms wish to reduce the retention rate below 50 percent, they must obtain the approval of tax departments." Doubtless, these policy regulations were issued in the hope of funneling more after-tax profit into expansion of reproduction. But once these funds are committed to production and become assets, the issue of who really owns them arises. At first glance, it would seem that the property rights do not change and that they would still belong to the private enterprise, and the Provisional Regulations did not explicitly state that these rights no longer belong to the enterprises. In reality, however, enterprises are no longer free to dispose of these assets as they wish, for the latter have become subject to the intervention of tax departments. Once invested, the funds can be shifted to other uses only upon approval from tax departments. If market changes should require quick change in operations, companies cannot make prompt decisions on whether or not to move all of their assets. That state of affairs in effect puts companies, though private in name, in basically the same boat as state and collective enterprises with respect to asset control. Private enterprises are very concerned about their lack of control over their assets. If it is somewhat of an exaggeration to say that this state of affairs is a case of private property right infringement, then at least it is a manifestation of property right confusion.

II

The blurring of private enterprises' property rights has produced many harmful consequences. The aforementioned phenomena have dampened their enthusiasm for

investment and spurred rapid growth in consumption. To achieve economies of scale and to maximize efficiency amidst competition, private enterprises usually plow the vast majority of their after-tax profits into expansion of production, especially during their start-up phases, when approximately 70-90 percent of all after-tax profits are so used. Their enthusiasm for this sort of investment is supposed to be natural, a desire to earn greater profits by transforming money capital into productive capital. Yet property right confusion greatly reduces proprietor enthusiasm for investment, as private enterprises fear that the funds they pump into production will be expropriated in disguised form and thus have diverted the vast majority of their productive investment into consumption. A Shanghai survey reported that private companies and individual households in that municipality earned a total net income of approximately 4.1 billion yuan between 1980 and 1988. Sample computations revealed that 5-10 percent of these earnings were used to expand reproduction and that 50-60 percent were diverted into consumption. This certainly contributed to the rectilinear drop in the growth rate, which during several previous years had been a torrid several-fold, for private enterprise: The rate was only 15 percent during the first half of 1988 and a mere 6.3 percent during the second half of the year, with some provinces even experiencing negative growth. And yet some proprietors have begun to pursue opulence, building high-class homes, purchasing luxury cars and, in some regions, even spending huge fortunes to build tombs and temples, squandering money extravagantly.

In addition, vast sums of funds have been driven out of circulation. The reduction in productive investment has withdrawn much money capital from production. Very little of this money is deposited in banks, and besides the portion used for consumption, most is kept in cash on hand and stashed at home. Nationally, as much as 50 billion yuan held by private companies and individual households has dropped out of circulation since 1978, 40.79 billion of which precipitated between 1984 and 1986. In Shanghai, private companies and individual households idled more than 1.5 billion yuan while depositing only several million yuan in banks between 1980 and 1988. The precipitation of so much money creates big trouble for society and for the state, making funds for production scarce, greatly reducing the amount of money in circulation, forcing the state to issue much additional money, and preventing the state from withdrawing the money it is supposed to withdraw from circulation during certain periods. All these problems create great fiscal and monetary difficulty for the state.

The blurring of private companies' property rights throws the door wide open for "infringement" of the firms' assets. When, through good management, private companies earn greater profits, they should, of course, provide appropriate financial assistance to public causes, especially for the development of education, for that is the enterprises' social duty. Yet some people believe that, since socialism ultimately will confiscate private

property, it would be better for firms to share their wealth as soon as possible than to wait for future state expropriation. Thus such people treat private firms as money trees there for the ready shake-down and employ all sorts of pretexts, such as "assistance," "donations," "loans," and "advances," to solicit and extract funds from every quarter. Private enterprises are subject to social pressure, and have no choice but to "generously open their pocketbooks." Some people follow local custom: When someone strikes it rich, the wealth is to be shared by all, and everyone should live off the big private entrepreneur. Even more serious is the fact that hooligans and bullies gang up to threaten, kidnap, extort, or steal private company property. And then there are the various apportioned exactions imposed by powerful agencies. Private enterprises are cowed into submission to power and influence and have no choice but to assume onerous financial burdens. For example, the Dongfeng Carbon Company of Gong County, Henan has since 1985 donated 60,000 yuan to aid the development of the county seat, 23,000 yuan for education, and 12,000 yuan for a project in the company's village to supply tap water. During the Spring Festivals of 1985 and 1986, the company distributed to villagers 22,500 yuan in cash and supplies for New Year's celebrations. In three years, the company presented 120,500 yuan in various donations and loaned 15 specialized households 107,900 yuan, for a total nonoperational outlay of 228,400 yuan. A silk weaving company in Geyang County, Jiangsu lost 24,700 yuan in property to theft in the three years following its establishment. Property right confusion leaves private property unprotected, a situation that alarms proprietors and severely impedes the development of private economy.

III

Following are some of the causes of property right confusion.

1. Flawed theoretical interpretation. This is manifested in two areas. First, there is misinterpretation of the nature of private companies. One view argues that the companies are socialist. Other than receiving wages and wage bonuses, proprietors do not earn any dividends or stock bonuses, and profits are used to expand reproduction. But the companies in fact raise their funds and are managed privately. So, do their assets belong to employees? Or to the companies? This view does not seem to clarify this issue. Another view argues that private companies are components of capitalist economy but possess some socialist elements. Though acknowledging the capitalist nature of these firms, this view stresses the fact that they possess socialist elements and thus that their assets are in varying degrees to be shared by everyone, a conclusion that leads to a continuous stream of requests for all sorts of "donations," of coercive apportioned exactions, and of "people demanding a share of after-tax profits," all of which are perfectly justifiable, of course. Misinterpretation of the nature of private companies has led to a blurring of their property rights.

Second is the proposal that title to the increment in private enterprise's assets should be split into public and private shares, which means that the company's after-tax profits should be divided into two shares. The first, comprised of interest on paid-in capital, depreciation of fixed assets, and risk compensation, is to go to the proprietors as private earnings. The other share, which consists of the surplus value created by the workers employed by the companies, should revert to public ownership. This proposal also claims that by providing a share to private ownership we can give capable people incentive to develop commodity economy and that by providing a share for public ownership we can give full play to the superiority of publicly owned economy. Even cursory analysis demonstrates that this proposal does not wash. Of the share that is to go to proprietors, depreciation is merely the periodic recovery of initial investment, and risk compensation only covers losses incurred—in actuality, loss plus compensation equals nil. All that proprietors ultimately would receive is the equivalent of bank interest rates for the capital they invest. Just think, if proprietors can sit back and earn interest on their funds, why would they need to rack their brains to come up with various business schemes? How will this give them incentive to develop commodity economy? And once depreciation is completely recovered, all company assets will have reverted to public ownership by society, a fact that cannot but chill the hearts of proprietors. Enterprise assets are publicly owned, yet firms remain privately managed and still hire their own labor, a situation that does not make any sense from a theoretical standpoint. The view expressed by this proposal has contributed greatly to the blurring of private firms' property rights and poses a major impediment to the further development of private enterprise.

2. The incongruous form that private firms have assumed during the preliminary phase of their development. After the old private, capitalist economy was basically eliminated in 1956, private economy became disreputable and there was much prejudice against such economy in China. Following the 3d Plenum of the 11th Central Committee, individual economy was revived and permitted to develop. To enable that economy to develop within certain confines and to prevent it from expanding in operational scale, the state decreed that individual households could engage no more than one or two assistants and three to five apprentices. Yet, in actuality, because that economy grew so vigorously, these strictures were quickly exceeded, and many entities that were then known as "big individual households" as well as fairly large private companies emerged. Although the theory of the preliminary stage of socialism was propounded at that time, we failed to achieve a correct understanding of and even doubted whether or not the emergence of private companies was consistent with our reinterpretation of socialism or, to put it another way, whether or not private enterprise could be incorporated

into that reinterpretation. So we adopted a "wait-and-see" approach and let private economy grow naturally and show its true stripes, both positive and negative, so as to provide a basis for decision on the matter. Under these circumstances, proprietors, who had emerged as the managers of their firms, were haunted by lingering fear of the 1956 "transformation of private ownership," felt the future was unpredictable, and were afraid to act rashly. Some waited for others to act before moving, others vacillated, while others found a place in which to develop by pulling all sorts of strings and operating in the protective guise of "collective," which approach became the safest and most reliable way for proprietors to survive and grow. Thus, did private enterprise assume an incongruous form as it developed within China's peculiar environment. Because private firms and departments in charge of collectives have long used each other, many complications have arisen with respect to property rights. This is part of the origin of the blurring of private company property rights.

3. Policy discriminates against private enterprises. State policy treats collective and private firms differently. In the past, collective enterprises were granted loans at a monthly interest rate of 0.62 percent, and new collective companies were granted preferential tax abatements, with some even being exempted from or granted abatements of the industrial-commercial tax, so as to encourage their development. For private enterprises, on the other hand, loan interest rates are 0.92 percent a month, loans have been very hard to obtain in recent years, and new firms receive no tax abatement whatsoever. This has prompted private firms, under certain circumstances, to seek to hitch themselves to collective enterprises or departments so as to obtain the preferences enjoyed by collective enterprises. Meanwhile, collective enterprises and departments, needing broader financial sources, happily shelter private companies, providing the latter with bank accounts and marketing channels for raw materials and finished products and even putting up some funds and fixed assets, such as plants, yards, and tools. And on top of that, prolonged financial chaos and sloppy bookkeeping in and other shortcomings of private companies make it difficult to distinguish public and private assets. This is an important cause of property right confusion.

4. Legislation is deficient. There is no provision in law clearly specifying that the assets of private firms belong to the proprietors thereof and that those assets can legally be inherited. Thus some private companies have repeatedly lost assets through extortion and theft and cannot obtain protection. Indeed, in using their own assets, proprietors are often viewed by relevant departments as "embezzlers" of collective property and get punished for the "crime of corruption."

IV

Given these causes of the blurring of the property rights of Chinese private firms, the best way to resolve the problem is to clearly specify the firms' property right

relationships as reform advances. First, we must improve theoretical understanding, better realize that the existence of such firms during China's preliminary stage of socialism is long-term and necessary, pragmatically and correctly assess the nature of such firms, and affirm that nature for what it is, not because policy permits us to pronounce that nature socialist or what have you. Only when we recognize that private companies are capitalist and are the economic components of the system of private ownership can we clearly specify that their assets belong to their proprietors (investors). Second, we must reassess, using the criterion of productive forces, the 1956 socialist transformation of private and capitalist industry and commerce and realize that to attempt in China, whose economy is very backward, to eliminate private economy within a short period of time cannot but be a serious blunder so far as the development of productive forces is concerned. Only by unequivocally stating this point can we thoroughly dispel the various doubts concerning private property rights that haunt proprietors and fundamentally rid proprietors of their lingering fears of a "second transformation" and of a confiscation of private property. Only thus can we effectively induce proprietors to take more interest in the assets and in building the assets of their firms. In terms of policy, the state should treat collective and private firms equally and create a good economic environment in which enterprises can compete on an equal footing, adopt effective measures to induce private companies hiding among collective enterprises voluntarily and actively to remove their "collective" hats and signboards and redisplay their true colors so as to facilitate reordering of the property relationships among the various systems of ownership. Finally, through legislation and from the standpoint of morality and justice, we must safeguard investors' ownership rights with respect to the assets of private companies, including the right to inherit those assets, and fundamentally eradicate the unhealthy tendency of proprietors to show no interest in building assets and to squander money extravagantly.

In sum, only by beginning with a clear specification of the nature of private companies, by delineating the property right relationships among the various systems of ownership, and by affirming that the assets of private firms belong to the proprietors thereof (investors therein) can we induce proprietors to take greater interest in their assets and in building those assets, and fire proprietors' enthusiasm for investment. Only thus can we attract the tremendous sum of money that has been idled or diverted into consumption back into production so that private enterprise can develop in a healthier fashion.

FOREIGN TRADE, INVESTMENT

Minister Expects Continued Foreign Trade Expansion

OW2201155590 Beijing XINHUA in English
1059 GMT 22 Jan 90

[Text] Beijing, January 22 (XINHUA)—China will make great efforts to keep a sustained and stable growth in its

foreign trade while effectively carrying out foreign economic cooperation, according to Zheng Tuobin, minister of foreign economic relations and trade.

In an article for the English newsweekly BEIJING REVIEW, Zheng said that China's foreign trade developed rapidly in 1980's. By 1988, the total import and export volume reached 80.74 billion U.S. dollars, 2.74 times higher than that in 1979. By December 10, 1989, the foreign trade volume amounted to 73.166 billion U.S. dollars, of which exports were 39.68 billion U.S. dollars, a 6.9 percent increase over the same period of 1988. The total volume of imports and exports in 1989 was estimated slightly higher than in 1988.

Between 1979 and October 1989, 20,735 foreign-funded enterprises were approved throughout China, and 8,000 of them went into operation with an accumulated investment of 14.7 billion U.S. dollars.

China's overseas construction projects and labor service have solidly entered the world market, and so the country has begun to earn profits from its foreign investment, while foreign aid programs have developed healthily, the minister reviewed.

As the 1990's will be vital to China's socialist modernization, the minister said, China will adopt the following measures to bring about a stable and coordinated development of foreign economic exchange and trade:

First, efforts will be made to maintain a stable growth in the export trade in line with the requirement for development of the national economy. Based on international market needs, China will further improve the mix of exports and actively develop export-oriented industries and products being competitive, and producing quick returns and high efficiency. Export manufacturers and companies will raise the export quality, properly arrange the supply of commodities for domestic and foreign markets, and expand international markets. Effective measures will also be taken to rectify the administration of foreign trade, including cleaning up foreign trade companies, bringing into full play the main role of specialized central and local foreign trade firms and industry-trade companies and establishing mechanisms for effective macro-control over foreign trade as quickly as possible. At the same time, proper arrangements will be made to import foreign commodities, continuing to keep a proper balance between imports and exports.

Second, actively solicit foreign capital. China will seek loans provided by foreign governments and international financial organizations so long as they do not attach additional conditions on the country and are based on mutually beneficial cooperation. China will further improve the investment climate and, in accordance with the state industrial policy, give proper guidance to foreign investment. The management of more joint ventures and cooperative enterprises will be encouraged on the basis of renovating China's existing enterprises. The country will raise work efficiency and

improve services in order to help foreign-funded enterprises solve difficulties that crop up in production and management and to increase foreign businessmen's confidence in investing in China.

Third, develop diversified forms of foreign economic cooperation. China will do its utmost to open up markets, expand foreign contract projects and labour services and develop selected overseas investment. China will continue to provide economic and technical assistance to foreign countries while participating in multilateral economic and trade cooperation, and soliciting international aid.

In the face of the emergence of regional economic groupings and intensified international competition, China will continue the open policy on an all-round, pluralistic, selective and efficiency-seeking basis, and bilateral, multilateral and regional economic cooperation conducive to the development of the economies of various countries, Zheng said.

China will continue to consolidate and develop the economic cooperation with Third World countries, strengthen economic exchanges with socialist countries, and continue to develop economic and trade relations with Western countries.

The minister also said that additional effort will be made to develop the economic cooperation and trade relations between the Chinese mainland, and Hong Kong, Macao and Taiwan to promote common prosperity and economic development.

Pricing in Externally Oriented Economy

90OH0294A Beijing GUOJI SHANGBAO in Chinese
30 Dec 89 p 3

[Article by Tang Lijun (0781 4539 6511): "Price Issues Concerning Externally Oriented Economic Development"]

[Text] The four administrative levels of "the Special Economic Zones (SEZ's), the open coastal cities, the coastal economic zones, and the interior" have now been formed level by level in China to advance our opening up to the outside world. Our transition from an internally oriented economy to an externally oriented one is bound to involve reforms in areas, such as foreign trade, science and technology, finance, banking, and prices. This article is a brief analysis of price issues concerning externally oriented economic development alone.

I. Externally Oriented Economic Development and Price Reform

Although price reform in China has entered its 11th year, it has not yet passed its crisis point and still contains many irrational parts. The following five price issues restrict not only our whole economic reforms, but also to a great extent China's transition to an externally oriented economy:

1. The prices of our staple products are too low in relation to international market prices. For instance, except for our prices in the category of industrial chemicals being higher than international market prices, our prices in the other six of our seven categories of state-set prices were all lower than international market prices in 1988. In another respect, our domestic prices being out of line with international market prices has caused many export management abuses, kept our production enterprises from feeling direct pressure from export production costs, kept our enterprises from becoming more competitive and able to meet emergencies, kept our enterprise resources from being rationally deployed, and even prevented certain regulatory steps that the state has taken to develop an externally oriented economy from being effective;

2. Our irrational exchange rates and other key prices have delayed the evolution of market forces in China. Externally oriented economic development requires market forces and a market pricing system that are suited to opening up to the outside world. Rational and flexible prices should become a means of harmonizing all interests and an effective message-transmission medium. In addition to commodity prices, exchange rates and other key prices are also important parts of a market pricing system. Irrational exchange rates keep business messages from being transmitted effectively and decentralized decisionmaking from being rational. Irrational key prices for other things, such as money, labor, and technology, restricts the orientation, amount, structure, and efficiency of enterprise investments, making the deployment and mobility of manpower resources less rational, and keeps technology from being transformed into productive forces, limiting the development and production of technical products;

3. The various irrational price relations in our pricing system, in particular those of raw materials, fuels, and power to manufactured industrial goods, those between manufactured goods and farm produce, and those between goods made in China and imports, have had a serious impact on the effective deployment of our domestic resources, kept our overseas resources from being used in positive ways, and prevented a rational restructuring of our industry, consumption, investment, and foreign trade merchandise;

4. Our dual-track pricing system has restricted the establishment of market forces and had a big impact on the coordinated operation of our domestic economy with foreign economies. Since the international market operates completely according to market forces, no country can substitute its own method of operation for international market forces. The planning mechanism that plays a very decisive role in China's dual-track pricing system forces our enterprises to use state-set costs, divorces our enterprise price formation to varying degrees from international market forces, and makes it hard for our enterprises to deal with complex international market competition;

5. Our price controls are still apparently too rigid and keep our enterprises from having the proper decision-making power to set prices. In an externally oriented economic system, enterprises must have management decisionmaking power, including that to set prices, in order to adapt to the endless fluctuations in the information structure of our domestic markets. It seems that China's enterprises, and our export enterprises in particular, still do not have the proper authority to market exports and set prices, and are restricted by too many administrative regulations, which leaves them with a poor sense of initiative, creativity, competition, and profitmaking, more internally oriented than externally oriented, and unable to compete in marketing exports.

Externally oriented economic development requires prices that are set in a sound way; that is, by market forces. Thus, while improving the economic environment and rectifying the economic order, we must persist in deepening our price reforms and eliminate the factor of irrational prices as quickly as possible, in order to speed up our externally oriented economic development in the following five ways:

1. We must continue to modify in a directed way the prices of our staple products that are too low and harmonize the price relations between domestic and foreign markets, in order to bring our domestic prices of foreign trade merchandise that we are very dependent on gradually closer to international market prices. Of course, we should not become completely dependent on international market prices, but should regulate and control the difference between our domestic prices and international market prices with economic levers, such as tariffs and exchange rates, in order to prevent price wars and loss of our wealth to others.

2. We must reform our irrational pricing system, eliminate the dual-track pricing system and establish competitive market forces as quickly as possible, and rectify our price distortion, in order to enable price signals to be transmitted quickly and regulate production, consumption, and circulation effectively.

3. We must set rational prices and establish and develop markets for key things, such as money, labor, and technology, in order to speed up their rational circulation, effective deployment, and reorganization and adapt to changes in international economic operations. Moreover, we must speed up our domestic technological advances and product development in order to make China's products more competitive on the international market.

4. We must readjust our exchange rates and set up a fairly flexible exchange rate mechanism, in order to encourage exports, increase the amount of our export sales, restrict nonessential imports, and improve China's foreign trade situation.

5. We must give our enterprises more initiative to set prices for exports and establish a price formation mechanism that is more suited to the international market.

Since the initiative to set prices is a fundamental enterprise management decision-making power, a major source of motivation for enterprise competition, and a basic prerequisite for making enterprises more externally oriented, giving our enterprises more initiative to set prices will make them more competitive in, help them to continue to break into, and give them a bigger share of, the international market.

II. Harmonizing Prices as Part of Externally Oriented Economic Development

Since China's opening up to the outside world is advancing gradually on many levels, it unavoidably causes differences among economic interests. Thus, it is essential to coordinate the price lever with other levers, such as finance, banking, and tax revenue, in order to harmonize economic interests among all areas, departments, and enterprises in the following ways:

1. The price lever should be used to harmonize economic interests between coastal areas and the interior, speed up the coordinated development of our coastal and interior economies, and spur the externally oriented economic development of coastal areas and the interior on different levels. The major advantages of our coastal areas are advanced technology, high personnel density, and a high level of productive forces, while those of the interior are rich natural resources and relatively cheap manpower. Although the aim of economic development strategy in coastal areas is "to become externally oriented for both resources and markets," they still depend to a great extent on the interior for resources, such as power and raw materials, from which our resource-rich interior areas can profit. Thus, the prices of power and raw materials from the interior must be harmonized with those of coastal products, and profits must be roughly balanced, so that the state, the coastal areas, and the interior can share these profits fairly.

2. The price leverage should be used to harmonize the economic interests of different industries. Although labor-intensive industries are generally an advantage in China's development of an externally oriented economy, each area has different circumstances and all should not necessarily rely on labor-intensive industries. Rather, each area should make full use of its respective circumstances and advantages. Some areas can use labor-intensive industries, such as some township enterprises, some can use knowledge-intensive industries, such as computer software development, some can use capital- and technology-intensive industries, such as electronics exports, while other areas can use a combination of labor- and knowledge-intensive industries. The development of each of these and other domestic industries must all be suited to rational industrial prices. Thus, industrial price discrimination or preference should not exist. Rather, a coordinated industrial pricing system should be established, in order to match the prices of all industries that are engaged in externally oriented development and those of other industries in the national

economy with industrial policy, and all industries should cooperate to help develop an externally oriented economy.

3. Foreign trade agencies should be established faster, and a means of basically linking up domestic and foreign market prices should be put into effect gradually. Domestic and foreign market prices should be linked up where it is to China's advantage and not linked up or basically separated where it is not to our advantage, and the relations between domestic and foreign markets should be harmonized well.

4. Price relations and coordination among all departments and enterprises should be improved to prevent various kinds of unfair competition, such as shifting troubles onto others, forcing up prices and causing panic buying, price wars, mutual blockades, and the occurrence of all kinds of "major price wars."

III. Externally Oriented Economic Development and Domestic Market Price Stability

China's domestic market prices have increased considerably each year recently, and in coastal cities in particular. Investigation shows that this was caused mostly by an imbalance between overall supply and demand resulting from increased investment and consumption, but also partly by externally oriented economic development in coastal areas. Thus, the state and local governments at all levels should use various means of regulation and control to handle well relations between externally oriented economic development and domestic market prices, in order to ensure basic domestic market price stability along with controlled fluctuation in the following major ways:

1. The amount of externally oriented economic development in coastal areas should be properly controlled, as much foreign capital as possible should be exploited, and domestic demand for raw materials should be reduced, in order to allow export of some raw materials, ease domestic shortages of certain raw materials, increase production for domestic sale, expand supplies, and promote domestic market price stability.

2. The import and export commodity mix should be readjusted, the export commodity mix in particular, and exports of commodities that are in short domestic supply should be appropriately reduced or even stopped, in order to ease domestic supply and demand conflicts and stabilize domestic prices.

3. The experiences of other countries should be used for reference and a foreign trade chamber of commerce should be established to better control imports and exports, centralize the coordination of foreign trade, and harmonize all domestic enterprise import and export prices, in order to prevent price wars, competition to buy at high prices, and loss of our wealth to others.

4. Maximum price limits and minimum protective prices should be set, and venture guarantees should be

established for agricultural sideline products, in order to form long-range, stable, and coordinated relations between farm produce and raw materials and become better able to withstand the shock of international market price fluctuations.

5. Externally oriented economic development strategy should be carried out in a sound, planned, and step by step way in order to prevent overextended battle lines, precipitate action, or shocks to domestic economic and market price stability.

Regulations Issued for Export of 'State Secret Technology'

90CF0274Z Beijing KEJI RIBAO in Chinese
30 Dec 89 p 1

[Text] State Science and Technology Commission and State Secrecy Bureau of the People's Republic of China

Order No. 6

6 December 1989

"Provisional Regulations for the Examination and Approval of the Export of State Secret Technology" are hereby announced. They shall go into effect on 1 January 1990.

Song Jian [1345 0256], chairman of the commission
Shen Hongying [3088 7703 5391], director of the bureau.

Article 1. These regulations are hereby formulated to keep state science and technology secret, improve the export examination and approval system of secret state technology, protect China's technical superiority, and safeguard the proper conduct of scientific, technical, and economic cooperation and exchange with foreign nations.

Article 2. For the purpose of these regulations, "state secret technology" refers to inventions, scientific and technical achievements, and key technology which is essential to state security and interests and has been classified as confidential, secret, or top secret in accordance with relevant laws and regulations concerning secrecy. In these regulations "key technology" includes scientific and technical achievements in various stages, technical secrets, and traditional technology.

Article 3. Before a state organ, enterprise, institution, social organization, or individual provides a foreign nation with state secret technology through technology transfer, technical exchange, technical cooperation, technical assistance, technical consulting, or other method, and before it exports products or equipment containing state secret technology, it shall go through the examination-and-approval formalities as prescribed in these regulations.

When a unit owned by the whole people, a collectively owned unit, an organization, or an individual supplies a Sino-foreign joint venture, a Sino-foreign contractual

joint venture, a foreign-owned enterprise, or the Chinese division of a foreign organization, it shall go through the formalities as prescribed in the preceding articles.

Article 4. The examination and approval of the export of state secret technology shall abide by the following principles: 1) safeguard state security and preserve state technical superiority and economic interests; 2) implement the nation's diplomatic line, principles, and policies; and 3) help improve the nation's international reputation and expand its scientific and technical influence.

Article 5. The export of state secret technology shall be examined and approved by the following agencies depending on the secrecy classification of the export concerned:

1) In the case of confidential technology, the unit or individual involved shall apply to the appropriate State Council ministry in charge or the science and technology commission of the relevant province, autonomous region, municipality directly administered by the central government, or municipality with the decision-making authority of a province, depending on the administrative subordination relationship. The case shall then be reported to the State Science and Technology Commission for the record.

2) In the case of secret technology, the unit or individual involved shall apply to the appropriate State Council ministry in charge or the science and technology commission of the relevant province, autonomous region, municipality directly administered by the central government, or municipality with the decision-making authority of a province, depending on the administrative subordination relationship, for its examination and approval. The case shall then be submitted to the State Science and Technology Commission for its examination and approval.

3) The export of top secret technology shall be prohibited. Where export is warranted under special circumstances, the appropriate State Council ministry in charge or the science and technology commission of the relevant province, autonomous region, municipality directly administered by the central government, or municipality with the decision-making authority of a province, shall apply to the State Science and Technology Commission. Upon examination and approval by the commission, the case shall be submitted to the State Council for its approval.

Article 6. This article pertains to civilian technology and civilian-military dual-purpose technology of the armed forces. The export of technology classified confidential shall be examined and approved by the defense department in charge and shall be reported to the State Science and Technology Commission for the record. The export of technology classified secret shall be examined and approved by the defense department in charge and shall be submitted to the State Science and Technology Commission for its examination and approval. The export of

technology classified top secret shall be handled in accordance with Article 5 of these regulations.

Article 7. Applicants for permission to export state secret technology shall complete a "State Secret Technology Export Examination and Approval Application Form" in accordance with regulations and attach relevant technical data. The examination and approval agency shall make a decision and give a written reply within 30 days after receiving the application. Where a reply cannot be made on time, an explanation for the delay shall be offered.

Article 8. Where the export of state secret technology is approved, the agency in charge of examination and approval shall issue a "State Secret Technology Export Permit." People who leave the country with documents, data, and other articles containing state secret technology shall go through the exit formalities in accordance with the relevant regulations.

The unit or individual who receives permission to export state secret technology shall do so in strict accordance with the scope and contents of what has been approved and shall not enlarge the scope or alter the contents willfully.

Article 9. The "State Secret Technology Export Examination and Approval Application Form" and the "State Secret Technology Export Permit" shall be designed by the State Science and Technology Commission centrally.

Article 10. Where state secret technology is exported without authorization in violation of these regulations, where the scope of export exceeds what has been approved, or where false representations of facts are made while applying for approval to export, with the result that state secret technology is leaked, the people involved shall be held administratively responsible. If the case is serious and constitutes a crime, the individual involved shall be held criminally responsible.

Article 11. Personnel engaged in the examination and approval of the export of state secret technology shall be devoted to their duties and enforce the law rigorously. They shall pledge to keep the confidentiality of state secret technology they are privy to. Workers who neglect their duty, practice favoritism and fraudulence, and cause the leakage of state secret technology shall be held administratively responsible. If the case is serious enough to constitute a crime, the individual involved shall be held criminally responsible.

Article 12. The "List of Controlled State Secret Technology Exports" shall be drawn up by the State Science and Technology Commission and shall be published for implementation at a time to be specified.

Article 13. The implementation of these regulations shall be supervised by the relevant science and technology commissions, secrecy bureaus, and science and technology and secrecy offices of the central agencies in charge.

Article 14. These regulations shall take effect on 1 January 1990.

Outlook 'Good' for Foreign Debt Repayment

90OH0295A Beijing JINRONG SHIBAO in Chinese
21 Dec 89 p 1

[Article by Cheng Ruihua (4453 3843 5478) and Gong Hao (1362 3185): "China Will Have No Problem in Paying Back Our Foreign Debt"]

[Text] China's foreign debt (not counting direct foreign investment), which has increased over 30 percent a year for four consecutive years since 1985, amounted to \$40 billion by the end of December 1988, of which \$32.7 billion was medium- and long-term debt and \$7.3 billion was short-term debt. The parties concerned predict that if we continued to increase our borrowing from 1989 to 1992 at the same rate as we did in 1988, we would have to repay over \$20 billion of debt within just a few years. Although the misgivings about our debt repayment ability are completely understandable because we are faced with such a huge foreign debt and repayment burden at the approach of our peak period of debt repayment in the 1990's, a multitude of facts show that China's foreign debt repayment ability is not open to doubt.

From an overall perspective, China's foreign debt is completely within our repayment ability. The series of effective steps that the government of the PRC took in recent years to utilize foreign capital, basically rationalized the makeup and investment orientation of our foreign debt and helped us to use our foreign debt much more efficiently. As to the size of our debt, China's 1988 debt repayment rate (i.e., the ratio between the amount of principal plus interest that we must repay each year and our foreign exchange earnings) was under 15 percent and well below the internationally accepted danger point of 20 percent. Moreover, our foreign debt accounts for only about 11 percent of our GNP. All of these things show that China's debt repayment ability is good for the following specific reasons:

I. China's Foreign Debt Makeup Is Rational

1. As to the proportions of our short-, medium-, and long-term debt, although our short-term debt accounted for too big a percentage of our foreign debt in recent years, reaching a high of 41.55 percent in 1985, it had dropped to 18.5 percent and did not exceed the internationally accepted danger point of 25 percent by the end of 1988. The percentage of our short-term debt continued to drop, while that of our medium- and long-term debt rose steadily in the first half of 1989. Our medium- and long-term debt accounted for about 85 percent of our foreign debt by June 1989, while the percentage of our medium- and long-term debt with maturity dates longer than 10 years has been increasing year after year and is now higher than 30 percent. Making our foreign debt maturity dates more rational will ease the economic

burden of the peak repayment period. State statistical data shows that China's medium- and long-term foreign debt maturity dates are now well-distributed and rational, and that the maximum increase in our repayment of principal plus interest will not be higher than an average of 15 percent, even in the peak debt repayment period in 1992.

2. As to our means of borrowing, foreign governments and international financial institutions have been granting us more long-term and low-interest loans year after year, which now constitute slightly more than 30 percent of our foreign debt. Long-term loans accounted for 0.6 percent more, and low-interest loans for 2.0 percent more, of our loans by June 1989 than they had at the end of 1988. At the same time, our short-term and high-interest commercial loans were effectively controlled. China signed contracts with foreign banks for \$1.76 billion and actually used \$1.71 billion of export credit and commercial loans in the first half of 1989, which was eight percent and 1.2 percent more, respectively, but at a lower rate of growth, than in the first half of 1988. We also sold far less, or 63.1 percent less, bonds overseas in the first half of 1989 than in the first half of 1988. The relevant data shows that medium- and short-term loans constitute only about 17 percent of our commercial loans, which will greatly prolong the arrival of our peak loan repayment period.

3. As to the currency makeup of our foreign debt, China now borrows in many currencies. We have gradually lowered the percentage of Japanese yen in our foreign debt from 40 percent to about 35 percent and raised the percentage of U.S. dollars in our foreign debt to over 40 percent, which has greatly reduced our exchange rate risk.

II. China's Foreign Debt Repayment Ability Is Guaranteed

China's foreign exchange earnings from trade and other business have increased considerably and our foreign exchange reserves have shown a net increase in recent years. Statistics show that China had \$14.19 billion of foreign exchange reserves and 12.67 million ounces of gold reserves by the end of September 1989. Even though our capacity to earn foreign exchange from exports was hurt somewhat by the political turmoil in 1989, it is still very strong. State statistical data shows that China earned \$36.22 billion in foreign exchange from exports in the first three quarters of 1989, or 10.6 percent more than in 1988. Our foreign trade situation had clearly improved and the gap between the growth rate of our imports and exports had shrunk from 17.9 percent in the first half of 1989 to 7.1 percent by the end of September 1989. As to our foreign exchange earnings from other business, even though China's foreign exchange earnings from tourism dropped somewhat in 1989, they will still amount to \$1.8 billion. Moreover, our strict control of imports since September 1989 has effectively controlled our foreign exchange payments.

In addition, China's foreign debt repayment ability is also guaranteed by our attention-getting success in investing foreign capital rationally and exploiting our foreign debt. We have constantly emphasized in recent years the use of long-term loans on favorable terms to expand our infrastructure. Since we have made good use of foreign capital, we have improved our poor infrastructure somewhat by building new and expanding old ports, coal mines, and railroads, which has provided a good economic climate for the development of other sectors.

China has used our foreign debt to import much advanced technology and equipment, motivate our small- and medium-sized enterprises to upgrade their technology and revise their product mix, speed up our industrial restructuring, and improve the capacity of our enterprises to earn foreign exchange from exports. Most of the loans from the World Bank and other international financial institutions that the China Investment Bank has reloaned have achieved good economic efficiency, and all of the 300 projects that have gone into operation with the help of these loans are doing better than their original evaluations had predicted. The Dahua Cotton Mill in Jiangsu Province is a good example of this. After investing \$810,000 of foreign exchange to upgrade its technology, it raised its product export rate from 30 percent to 60 percent and earned over \$4 million in foreign exchange the very next year.

China's foreign debt has also played a very big role in our agricultural production. For instance, the Heilongjiang Farm Reclamation Project used a loan of \$70 million from the World Bank with remarkable efficiency to reclaim 3 million mu of farmland in the low-lying, waterlogged region of the Sanjiang Plain which had suffered from frequent natural disasters. The project earned 11.97 million yuan of profits in 1986, more than 15 million yuan of profits by 1988, and can supply 100,000 tons of soybeans for export and earn \$20-25 million in foreign exchange a year. After deducting its loan payments, it will still be able to provide the state with a net of \$14-19 million in foreign exchange a year.

The rapid growth of China's foreign debt in recent years has aroused much concern in all areas of society. The government of the PRC has formulated a series of policies and taken a series of steps to better monitor China's foreign debt, and has put into effect strict controls over each foreign debt link of "borrowing, using, and repaying." Initial success was achieved in the first half of 1989 in controlling the size of our foreign debt. Along with further advances in reform, opening up to the outside world, improving the economic environment, and rectifying the economic order, China's foreign debt control policies will gradually improve and our debt status will increasingly change for the better. Provided we improve our foreign debt control, China's debt repayment ability will be guaranteed both now and for the future.

Shandong Plans More Customs Houses

OW1101150390 Beijing XINHUA in English
1602 GMT 10 Jan 90

[Text] Jinan, January 10 (XINHUA)—The Zibo customs house, the sixth customs post in coastal Shandong Province, opened in Zibo City today.

It was approved by the State Council in September 1988. The new customs house will mainly handle customs affairs of Zibo City, a heavy industrial and petroleum production center, as well as nearby Dongying City and Huimin Prefecture.

Prior to the Zibo customs, three customs houses have been set up in Weihai, Shijiu and Longkou respectively in the past few years.

The rapid development of foreign economic relations and trade in recent years has produced a need for new customs posts in addition to the long-existing coastal Qingdao and Yantai customs.

Two other customs houses are under construction in Jinan and Weifang Cities, respectively.

ECONOMIC ZONES

SEZ Foreign Trade Enterprises Face Export Losses

90OH0202B Hong Kong TA KUNG PAO in Chinese
13 Nov 89 p 23

[Article by Wan Zongfu (5502 1350 1381): "SEZ Foreign Trade Enterprises in a Situation From Which They Cannot Advance or Retreat"]

[Text] The "2:8 Inverse Ratio" for Foreign Exchange Reserves

Since the Special Economic Zone (SEZ) policy was implemented, the results have been spectacular. There have been successes on both fronts, regardless of whether it is in attracting foreign investment or furthering trade. Moreover, the Chinese leadership has once again emphasized that there has been no change in the SEZ policy. However, in the current reorganization of the economy, the zones are encountering quite a few problems, especially the past development pattern which took exports as the guiding path. In the new situation, the difficulties have grown. Therefore, the way out of this or the future path will become the center of even more attention from all concerned.

It is common knowledge that for a time in the past, the SEZ relied upon the state for their policies, and were given preference on foreign exchange reserves, so as to go the route of having development of exports bring with it the building of other things. However, starting in January of this year, due to the growing contradiction of interregional profit variations, the State Council gradually eliminated the preferential policies whereby the SEZ

retained 100 percent of the foreign exchange, and implemented the "inverse 2:8 ratio" for goods exported from a zone.

When this measure was initiated, it really brought with it a considerable number of difficulties for the SEZ foreign trade enterprises. To take Shenzhen as an example, the goods exported from that zone during the last year constituted nearly 50 percent of its total exports. However, according to a person familiar with the zone's transport, because the "inverse 2:8 ratio" measure applies only to exports from the zone, with the SEZ still getting preference for keeping all of the reserves from goods produced in the zone, foreign trade enterprises can still make use of other models of "thorough processing," to disguise exports as self-produced goods, and thereby pull through. Where there were prominent increases, the reason was that they had not been subjected to the "inverse 2:8 ratio" measure.

As Exports Increase, Losses Are Greater

However, as the national, comprehensive rectification of the economy spread more widely, the shortage of funds became more severe, and the funds circulating within the zones also dried up in time. This resulted in price increases for the zones' exports. Foreign exchange outlets were difficult to find, and not only were exports providing no apparent benefits, they became millstones. In the second half of the year, each SEZ's foreign exports assumed a "landslide" trend. It became obvious that for some companies in the zones, the current situation is one of "as exports increase, losses are greater."

Unlike other domestic units involved in foreign trade, companies within the zones lack foreign trade subsidies: their operations rely chiefly upon foreign exchange earned from exports. They used part of what they received preferentially as a cost subsidy when there was a price difference, or completely turned over the domestic profits they gain from imports. However, in a situation of a national shortage of funds, domestic enterprises' deposits of renminbi [RMB] are short; add to this the pressure from imported products, and the foreign exchange required was drastically reduced, and the RMB foreign exchange true price much higher than expected. As a result, foreign trade enterprises in the zones' subsistence is hindered by two equally great obstacles. At the same time, the very heavy interest payments burden resulted in the cost of foreign exports growing in the first half of the year by two to three times, so there was basically no benefit to be seen. At the same time that this was happening, foreign trade units assumed sole responsibility for their losses. They cannot cease doing business, and have really sunk into a state of affairs from which it is difficult to advance or retreat.

Pressures Make it Difficult To Earn Money From Imports

It appears that for the foreseeable future, these straitened circumstances will be hard to eliminate, and it will be

increasingly difficult for the SEZ to earn any money within the zones from foreign trade.

Some signs indicate that it would make sense for the SEZ to turn from export trade to production. In the long view, this is undoubtedly the route for the zones to take, and would also be an indication of their growing to maturity. However, during the transition period, there should be some guiding policies to aid the zones in making the changeover, especially the existing five SEZ's. The starting point and the process of developing to maturity are unlike, and really cannot be regarded as "one cut of the knife."

Zhuhai SEZ Adjusts To Changing Domestic Market

90OH0202A Guangzhou NANFANG RIBAO in Chinese
14 Nov 89 p 1

[Article by Tao Guangyuan (7118 0342 0337): "Zhuhai Adopts Measures To Ensure Continued Stable Coordinated Economic Development"]

[Text] The Zhuhai Municipal Committee and Municipal Government are conscientiously and centrally implementing a program of control and rectification, and of deepening reform. They are guiding cadres in building the confidence to overcome difficulties, and adopting measures which will ensure continued, stable, coordinated development of the economy.

During this year, the general state of the Zhuhai economy has been very good. During the months of January through September, the total industrial output increased by 50 percent, while financial income increased by 41.6 percent, and actual utilization of foreign funds increased by 71.3 percent. However, due to changes in the domestic market during the last time period, enterprises have encountered the phenomena of financial shortages and product overstocking. Some cadres began to grumble about having to wait, and it even got to the point of affecting development of the SEZ's economy. The Zhuhai Municipal Committee and Government gave this their full attention, and immediately convened a conference on economic work. They organized the cadres to earnestly study Comrade Jiang Zemin's National Day speech, to understand his unified thought, to overcome difficulties of fear and negative feelings about waiting so as to stimulate their enthusiasm. In seeking concrete ways of overcoming the difficulties facing them, the principal responsible comrades from the Municipal Committee and Government guided leading cadres from the various relevant departments to such units as the Zhuhai Condensing Plant, the Feisuo Electrical Instrument Group Corporation, the Aite Group, the Municipal Electrical Industry Corporation, the Municipal Haili Kong Diaqi Plant, the Jinhai Electrical Joint Company and the Wanzi Industrial Corporation, to survey and study with the mass of cadres and to summarize their fresh experience. The Feisuo

Corporation began this year to conscientiously implement a program of control and rectification, working toward a model which would be oriented totally to the outside. On the one hand, they are making maximum use of organizations in Macao, continuing a large batch of electronic product orders placed by the state; on the other hand, they are leasing two product lines to foreign firms to manage. As a result, under conditions of tight money and a slumping market, this company not only has not laid off any personnel, it has actually recruited a new group of workers, and production has been continued to be quite normal. Under the economically difficult conditions we have now, the Aite Electronic Instrument Group made positive adjustments of their product structure, took the initiative to attack, and by cooperating with relevant organizations in Hong Kong, continued to bring in materials to process. In the last two months, the product export value per month was 3 million yuan.

At hand is a typical example: the Municipal Committee and Government held a conference to exchange experiences on the operation of production oriented to the outside, to spread the experiences of such units as the Feisuo Electrical Industry Corporation and the Aite Group. They called upon all of Zhuhai's citizens to seriously study Comrade Jiang Zemin's National Day speech, to stimulate their revolutionary spirit, adopt a spirit of positive initiative, press forward despite the difficulties, and propel the economy of the zone along the path of outside orientation. For this reason, there has been established in Zhuhai a brain trust structure to study foreign markets, conduct research on market information in East Asia, South America, Southeast Asia, the Soviet Union, and Eastern Europe, and ship out countless products. At the same time, the entire city has continued to pay special attention to enterprise management and product quality, to reduce costs and make their products more competitive in international markets. They have also made progress in improving the investment climate, straightening out various kinds of inequitable fees, raising the efficiency of their operations, and providing even better service to foreign businesses.

TRANSPORTATION

New Chongqing Airport Begins All-Weather Flights

OW2201190590 Beijing XINHUA in English
1535 GMT 22 Jan 90

[Text] Chongqing, January 22 (XINHUA)—Jiangbei Airport, the second airport of Chongqing, started operating today, allowing flights to and from the city in winter for the first time.

The first plane to take off from the new airport today was a Soviet-made TU-154, which left in heavy fog.

Construction of the airport was a major state project during the country's Seventh Five-Year-Plan (1986-1990). Costing 330 million yuan (70 million U.S. dollars), it took four years to build.

The airport is in Jiangbei County, 21 kilometers from downtown Chongqing. With advanced modern equipment, it can handle the take-offs and landings of aircraft as big as Boeing 707s and 747s even in bad weather.

Hitherto, Chongqing, a city of 14 million people in southwest China, had only one small airport in a hilly area. It was often closed to air traffic in winter.

Hu Yizhou, director of the Chinese Civil Aviation Administration, said the new airport would play an important role in promoting the political and economic development of Chongqing and southwest China.

Shanghai Reaches 5-Year Cargo Target Ahead of Schedule

OW1301093290 Beijing XINHUA in English
0900 GMT 13 Jan 90

[Text] Beijing, January 13 (XINHUA)—Shanghai, China's largest port, handled 146 million tons of cargo last year, fulfilling the transport target for the 1986-1990 period one year ahead of schedule, XINHUA learned here today from the Ministry of Communications.

After years of massive construction, Shanghai has now become the fourth largest port in the world, with more than 20 deep-water berths capable of handling 100 million tons of cargo a year.

During the past four years, the country has spent 1.3 billion yuan on the port and built 22 berths (including 15 for ships of 10,000-dwt), increasing annual handling capacity by 30 million tons.

To facilitate China's foreign trade, Shanghai is planning massive port expansion in the next few years. Twenty-five deep-water berths are to be built in the 1991-1995 period.

1989 Locomotive Production Tops 600

HK0601020890 Beijing CHINA DAILY in English
5 Jan 90 p 2

[By staff reporter Chang Weimin]

[Text] China produced more than 600 locomotives in the past year, according to the Ministry of Railway.

The figure included 457 internal combustion engines, 170 electric locomotives and 53 steam engines which are used in mines, an official with the ministry told CHINA DAILY yesterday.

However, the industry has to trim output this year under present austerity and tight credit policies.

And the country will restrict imports of foreign locomotives since domestic industry has been able to meet the domestic market demands.

Passenger cars production may also be cut by 25 percent, and freight carriages by 20 percent, the official predicted.

Dou Youcai, chief of the industry department of the ministry's planning bureau, said the ministry will adjust product structure and develop new products, instead of increasing production, in the coming years.

China has about 52,000 kilometres of railway lines. Diesel and electric engines are running on about 20,000 kilometres of lines.

Steam engines are still widely used although China stopped production last year.

Dou said that in the past years, the industry has rapidly developed to meet China's needs and made the country the world's second largest locomotive producer, following the Soviet Union.

The industry began to upgrade and expand diesel locomotive works in 1988.

The Ziyang Locomotive Plant in Sichuan Province has been renovated and another three major diesel locomotive plants are being expanded.

After the expansion, the plant in Dalian in Liaoning Province will be able to produce 300 diesel locomotives and the other two in Beijing and Qingdao, Shandong Province, to produce 100 each annually.

The upgrading and expansion will cost the ministry about 350 million yuan (\$74.4 million) in total, Dou said.

Meanwhile, Dongfeng 6, a new style of diesel locomotive, has been completed through co-operation with the General Electric Company of the United States.

The 4,000-horsepower engine has passed the appraisal conducted by the International Railway Union. Two of the new models are running on Chinese railways.

However, rolling stock production is still not meeting demand, Dou said.

The industry was expected to produce 2,248 passenger cars last year. The ministry requires manufacturers to make 3,100 cars a year by 1993, Dou said.

Emphasis will also be put on developing double-deck and more luxury passenger cars.

The Rolling Stock Works in Changchun, capital of Jilin Province, has developed two self-driven passenger cars. Such a car, adopting advanced electric driving technology and glass fibre reinforced plastic for its body, has its own dynamic system and can pull an ordinary car. Now two units are running in an experimental phase.

At present, this plant and another one in Qingdao, two of China's major passenger car producers, are being expanded and updated. Focus in the near future will also be placed on developing corrosion-resistant steel carriages and carriages for special uses, Dou said.

New-styled couplings, buffers and brakes can be expected to be put into use next year.

More Lanes Opened in Shenzhen To Ease Congestion

HK3012013089 Hong Kong HONGKONG STANDARD
in English 30 Dec 89 p 6

[In two special reports from Shenzhen Fan Cheuk-wan looks at the progress of important infrastructure projects and plans for a Municipal People's Congress]

[Text] Ten lorry lanes at China's largest border checkpoint, the Huang Gang crossing connecting Hong Kong, were opened yesterday to ease the increasing congestion between the territory and the Shenzhen Special Economic Zone (SEZ).

At 9:35 yesterday morning, the first Hong Kong container truck passed the checkpoint in Shangbu District beside the Shenzhen river. The checkpoint is Hong Kong's second highway entrance to Shenzhen after the Man Kam To Checkpoint.

However, construction work on other giant infrastructure projects, has been delayed in the wake of political upheavals in June.

In an interview with THE HONGKONG STANDARD in Shenzhen yesterday, Mr Sun Zhen, director of the Shenzhen Municipal Bureau of Transport, said passenger lanes at the Huang Gang Checkpoint had not been completed but the Hong Kong and Shenzhen governments agreed it was necessary to open the lorry lanes first.

An average of 12,700 vehicles from Hong Kong enter the Shenzhen SEZ every day and the Man Kam To checkpoint has been overloaded for sometime.

The checkpoint was originally scheduled to open in late June but the completion was delayed after the political disturbances in Beijing.

The Huang Gang checkpoint is the starting point of the 302-kilometre Guangzhou-Shenzhen-Zhuhai (GSZ) superhighway.

The Hong Kong contractor of the project, Hopewell Holdings owned by Mr Gordon Wu Ying-sheung, stopped construction work on the HK\$12 billion superhighway for three months after June 4, Mr Sun said.

"After the June 4 incident, Hopewell faced some problems in raising capital since financial syndicates in Hong Kong had doubts about China's political stability," he said.

Mr Sun said that construction work of the superhighway had resumed in the past three months after Hopewell resolved their difficulties.

Mr Sun said he was confident Hopewell would secure the necessary funds for the project.

He said the scheduled, partial opening of the superhighway planned next year, would be delayed.

"Five kilometers of the section between Shenzhen and Nantou have been completed. Other sections are currently under construction according to the original schedule."

Another giant infrastructure project affected by the June 4 crackdown is the Yantian deepwater port, which will become the largest such port in southern China after completion.

The HK\$1.4 billion port development is jointly funded by China and Japan. It will have an annual handling capacity of 56.5 million tonnes.

"After the June 4 incident, the United States, Japan and Western countries imposed economic sanctions on China which bear a direct impact on the Yantian project," Mr Sun said.

"The Japanese Government has postponed the third instalment of loans to the project from six months to a year. It means that the first phase of construction will be delayed."

The Overseas Cooperation Foundation (OCF) in Japan, a government foundation providing foreign loans, had agreed to a low-interest loans for the project.

The third installment of HK\$780 million was originally scheduled for no later than September.

"The Yantian Port is now expected to start service in 1993, a year later than originally planned. Since the port will mainly serve as an entrepot for the inland, the delay will have little impact on the economic development in Shenzhen," Mr Sun said.

Mr Sun said foreign sanctions had also affected the Shenzhen-Shantou highway project financed by the World Bank.

However, he said the construction of the Huangtian Airport in Shenzhen, funded mainly by the Chinese Government was proceeding as planned.

"Despite the nationwide austerity programme, the central government has given top priority to the construction of transport facilities.

"The Shenzhen government will borrow state loans to construct the Huantian Airport."

Mr Sun said Shenzhen hoped Hong Kong and foreign capital would provide telecommunications, hotels and catering services at the airport which is scheduled to start service in mid-1991.

AGRICULTURE

Serious Grain Losses Occurring During Shipment

90OH0257A Beijing JINGJI CANKAO in Chinese
6 Dec 89 p 1

[Article by correspondents Huang Qizhuang (7806 0366 8369), Zhang Chuanxuan (1728 0278 1357), and Liu Shanpeng (0491 0103 7720): "Plug the Leaks in Grain Shipments!"]

[Text] At a Shanghai transshipment station for imported grain, the correspondents saw the following several telegrams: Received wheat on 18 June. "410 bags wet. Wheat sprouted and rotted." "The wheat sent to this bureau on 30 June was short 48 bags, and 535 bags were rain soaked, the wheat rotting and sprouting." "Bags at tops and on four sides of cars in the seven carloads of imported wheat sent from Guizhou Station rain soaked and sprouting greatly."

A comrade in charge at the transshipment station told the correspondents resignedly: Most of the country's grain shipments are in open freight cars used to ship coal and chemical fertilizer. Needless to say the grain is prone to contamination far beyond state prescribed standards, and the losses resulting from the elements en route are far greater than the state prescribed standards. We can only "look at the losses and heave a sigh?"

Pilferage of grain shipments en route is even more serious. Reportedly, scores or even as many as 100 bags in virtually every car are stolen from grain shipments en route from Jiangxi to Yunnan and Guizhou alone. From January through October 1988, 120,000 kilograms of rice was lost in shipments from Jiangxi Province to Yunnan, Guizhou, Guangxi, and Guangdong provinces.

Reckless loading and unloading is currently on the rise. When loading and unloading grain, some workmen hook burlap bags with metal hooks, and the perfectly good burlap bags become riddled with holes. Bags are thrown from heights, and when some old bags are tossed, the contents scatter, the grain from the entire bag spilling on the ground...

Faced with the serious losses of grain during shipment, many grain workers shout: Such a waste of grain cannot be permitted to continue! They suggest the following:

—Establishment and perfection of grain shipment laws and regulations. Currently there is no body of control laws and regulations pertaining specifically to the control of grain, particularly grain shipments. The existing rules and regulations are very incomplete, and are, to a large extent, subjective and arbitrary. Cases of theft, cheating, and robbery, as well as losses through

mishaps are frequently not investigated and solved at once, or cracked down on hard. Therefore, the formulation of "Grain Laws" is imperative.

—Raising of funds through many channels and at many levels to improve grain shipping facilities. Many foreign countries transport grain in special closed cars, and wharves and railroad stations load and unload grain using mostly suction hoses. Today, China uses the same open cars commonly used for the shipment of other goods to ship grain. While in transit, the tarpaulins used to cover the cars are damaged; the grain becomes rain soaked, sprouts, and rots. Such cars are also convenient for thieves. Grain is loaded and unloaded mostly by forklifts and cranes, with extremely serious spillage. If this situation is to be changed at once, railroads, shipping, and grain departments, as well as local governments should be encouraged to raise money in many different ways for joint improvement of transportation facilities. In Dalian, for example, funds were raised through many channels for a planned investment of between 50 and 60 million yuan for special grain cars to enable the use of nothing but special cars for grain shipments all along the railroad line from Dalian to Liaoning and Jilin provinces. The total investment made in providing special cars for grain shipments can be recovered in four years time from the car rental fees that would otherwise be paid, and the special cars have a useful life of between 20 and 30 years.

—Getting rid of the chopped-up system putting grain shipments under integrated control. In shipping grain today, there is a disjunction between grain units and railroad, shipping, and truck transportation units. Because of the lack of dovetailing of transportation modes, shipments are prone to overly long delays en route causing a deterioration in grain quality. In addition, since each unit is concerned only with its own economic returns, shipments back and forth and via circuitous routes result. Not only does this increase shipping expenses, but it also increases grain losses. For example, imported wheat as shipped from the pier in Qingdao to Shanxi Province, while Shandong Province ships wheat from western Shandong to Qingdao, the duplicatory back shipment distance amounting to more than 500 kilometers. Comrades in the Shandong Grain Bureau have suggested to the units concerned that the imported wheat shipped to Shanxi should remain in Qingdao, the wheat from western Shandong being shipped to Shanxi instead, thereby saving nearly a million yuan in shipping costs. However, since the interests of all parties are difficult to regulate, this action that would benefit the country and the people cannot be carried out. The grain bureau comrades believe that the state should designate units concerned to take the lead in readjusting the interests of all parties to make grain transportation rational, thereby reducing grain shipping costs and grain losses to the minimum.

Adequate Funds Available for 1989 Farm Crop Procurement

90OH0261B Beijing JINGJI CANKAO in Chinese
11 Dec 89 p 2

[Article by Li Wenru (2621 2429 5423): "Supply of Funds for Purchase of Farm Products Better Than in 1988"]

[Text] It has been learned from the Chinese Bank of Agriculture that the supply of funds for the purchase of principal farm products such as grain, cotton, and oil-bearing crops is better in 1989 than in 1988. During the period January through October, the Bank of Agriculture issued a cumulative 120 billion yuan in loans for procurement versus 14.6 billion yuan for the same period in 1988. This included a net increase of 11.8 billion yuan in loans during October alone, ensuring smooth procurement of principal farm products in most areas throughout the country.

Outputs of grain, cotton, and oil-bearing crops, as well as major cash crops in most areas of the country nationwide were greater in 1989 than in 1988, so procurement fund requirements were greater. In order to ensure smooth performance in procurement, all levels of the Bank of Agriculture began planning early, and used multiple channels to raise funds in an effort to do a good job of supplying procurement funds. The raising of funds during 1989 was characterized by a change from the sole reliance on the Bank of Agriculture of 1988 to a division of responsibility among multiple channels and multiple sectors. Sources of funds included the central government, provinces, prefectures, and counties, the People's Bank, the Bank of Agriculture, government financial departments, and grain enterprises. Governments everywhere paid very serious attention to farm product procurement, establishing procurement fund coordination teams from top to bottom, something that was not done in previous years.

A person in charge in the Chinese Bank of Agriculture disclosed that the People's Bank has intensified macroeconomic regulation and control of farm product procurement funds in 1989. Twice since October, it has increased the amount of credit by more than 5 billion yuan; thus, from an overall standpoint, the supply of funds for the purchase of farm products is ensured. A shortage of procurement funds has occurred in some places as a result of too much procurement at negotiated prices, or because of poor funds planning. In these places, both the banks and departments concerned are actively devising methods to solve the problem.

Guangdong Grain Procurement Nears Completion

90OH0261D Guangzhou NANFANG RIBAO in Chinese
15 Dec 89 p 1

[Article by correspondent Huang Xiangguang (7806 4380 0342) and reporter Lin Wanzhou (2651 8001 3166): "Province Has Substantially Fulfilled 1989 Grain Warehousing Quotas"]

[Text] Guangdong Province has substantially fulfilled its 1989 grain warehousing quotas for 1989. As of 5 December, 97.5 percent of the 2.135 million kilograms planned for the whole year had been fulfilled, 140 million kilograms more moved into granaries than during the same period in 1988.

Places fulfilling or overfulfilling plans for the whole year included Zhanjiang, Maoming, Heyuan, Meizhou, and Jiangmen. Those fulfilling 95 percent or more of plans were Guangzhou, Huizhou, Yangjiang, Foshan, Shantou, Shaoguan, Zhongshan, Chaozhou, and Qingyuan. Those fulfilling 90 percent or more of plans included Chaoqing, Dongguan, and Shanwei.

Every prefecture in the province harvested a bumper grain crop in 1989. In order to solve the problem of what the peasants were to do with their surplus grain following the increase in grain output, the provincial government called upon grain departments in all municipalities and counties to purchase on behalf of the province 240 million kilograms of rice on the basis of "negotiated, transferred or the parity price." [yi zhuan ping 6231 6567 1627] In addition to fulfilling their purchase quotas, quite a few cities and counties did all possible to increase procurement in order to protect the enthusiasm for production of grain growing peasants. Zhongshan City purchased on behalf of the province a planned 5 million kilograms, and various townships and towns have already purchased 10 million kilograms. Foshan City used fulfillment of procurement quotas on behalf of the province as a basis for the procurement in all counties of 25 million kilograms of paddy, employing government financial subsidies to do so.

Henan Opens Grain, Edible Oil Markets

90OH0261A Zhengzhou HENAN RIBAO in Chinese
14 Dec 89 p 1

[Article by Mao Heying (3029 0678 3602): "Removal of Restrictions on Autumn Grain Markets Provincewide"]

[Text] On 9 December, the provincial government issued a notice on provincewide removal of restrictions on grain markets effective 10 December.

As of the end of November, the province had fulfilled its fixed contract grain procurement quota for the year, and progress in fixed procurement and warehousing of edible oil was also better than in 1988, conditions for the removal of restrictions on autumn grain and edible oil markets being substantially in readiness.

The notice said that after the removal of restrictions on the grain and edible oil markets, grain departments would purchase and deal in rice (including paddy, and japonica) as a monopoly, certifications for shipments within the province being issued by constituent county (or city) grain bureaus. Shipments outside the province would be reported by county (or city) grain bureaus to the provincial grain bureau for examination and

approval. It would handle shipment permission procedures. Once a county (or city) fulfilled its fixed edible oil procurement quotas for the entire year, it could announce a removal of restrictions on edible oil markets, subject to approval by city governments under jurisdiction of the province and prefecture administrative offices. Counties (or cities) that had not fulfilled their fixed procurement quotas would have to take positive action to fulfill their quotas before year's end. Beginning 1 January 1990, restrictions were to be removed on autumn edible oil markets throughout the province. Once restrictions were removed from markets, legally licensed grain and edible oil wholesale enterprises could transport edible oil for sale inside or outside the province without completing any further shipment permission procedures.

The notice pointed out that once restrictions have been removed on grain and edible oil markets, all grain and edible oil dealers are to enforce strictly the grain and edible oil negotiated procurement guidance prices that departments concerned have set. All cities and prefectures are to pay attention to doing a good job in dovetailing prices in border areas in order to avoid the forcing up of prices and panic buying. State-owned grain departments are to be sure to make use of the role of primary channels, and act in the spirit of stable markets and stable prices, actively doing a good job of buying and selling negotiated price grain and edible oil. Industrial and commercial, price, grain, railroad, transportation, and public security departments concerned at all levels should coordinate closely, applying the foregoing principles and regulations for joint control over grain and edible oil markets. Provincial grain departments are to strictly enforce examination and approval procedures for varieties for which permits are required for shipment outside the province. They are to strictly prohibit transfers, alterations, or resale of shipping permits. Not only are violators to be economically penalized, but the responsibility of those involved and of leaders concerned is to be investigated and affixed. No jurisdiction may arbitrarily assess or collect fees from those who ship grain and oil for sale after having completed legal procedures.

Peasant Income Up in Jiangxi Province

90OH0261C Beijing JINGJI CANKAO in Chinese
11 Dec 89 p 2

[Article by Wu Huaguo (0702 5478 0948): "Jiangxi Peasant Cash Income Increases"]

[Text] With the gradual warming in agriculture, and the steady development of rural economic diversification, the cash income of Jiangxi peasants has steadily increased. A random sampling shows per capita cash income reached 405 yuan per year for peasants throughout the province during 1989, a 27.2 percent increase over the same period in 1988.

Jiangxi Province brought in a fairly good harvest in agriculture in 1989. During the period January through September, peasants throughout the province sold an average 118 kilograms of grain per capita, 15.34 percent more than during the same period in 1988. Sales of cash crops such as oil-bearing crops, fruits, and tobacco leaf stood at 33 kilograms per capita, a 32.8 percent increase over the same period in 1988. Peasant per capita income from the sale of agricultural byproducts reached 268.10 yuan, up 30.68 percent from the same period in 1988. This included a peasant per capita benefit of 53.37 yuan from the readjustment of procurement prices for agricultural byproducts.

Nonagricultural industries throughout the province also saw continued development, resulting peasant cash income averaging 99.6 yuan per capita, up 17.3 percent from the same period in 1988.

Shandong Vice Governor on Farmland Decline

SK2212080189 Jinan DAZHONG RIBAO in Chinese
3 Dec 89 p 2

[Article by Zhang Ruifeng, vice governor of Shandong Province: "Strengthen Land Management and Conscientiously Protect Cultivated Land"]

[Text] Over the past few years, our province has conscientiously enforced the "Land Management Law," implemented the basic national policy of "very much cherishing and rationally using every inch of land, and conscientiously protecting cultivated land," persistently reformed land management and land use systems, conducted in-depth education on the concept of national land, and carried out extensive law-enforcement supervision, thus greatly checking the unhealthy trend of arbitrary land use and easing the sharp decrease of cultivated land. However, we should see that the land situation we are facing is still very serious. Our province's current cultivated land amounts to 103.44 million mu, which is 27.47 million mu less than in 1949, equivalent to a decline of 704,000 mu every year. During this period, the population of our province has increased by 35.12 million, an annual increase of more than 900,000. The per capita amount of cultivated land declined from 2.88 mu in 1949 to 1.28 mu in 1988, lower than the national average of 1.31 mu, and ranking 14th in the country. Furthermore, the very limited amount of cultivated land is seriously endangered by salinization, soil depletion and pollution. Therefore, strengthening land management and protecting the existing cultivated land are important tasks that governments at various levels and people throughout the province should work hard to fulfill.

First, we should further intensify the propaganda and education on protection of cultivated land. Our province's economic construction is still in the peak period and requires continuous use of cultivated land. If in the future the cultivated land of our province continues to decline by 700,000 mu every year, the per capita amount

of cultivated land will drop to merely 0.64 mu by the year 2040 when the population of our province is expected to reach 105 million. Even the increase in the per unit yield of grain is factored in, the per capita amount of grain will still drop from the current 400 kg to 330 kg. Therefore, protection of cultivated land is not only an economic issue but a political issue; and it not only concerns economic development and social stability but the existence of the generations to come. Therefore, we should understand the important position of land in the national economy and social life from a strategic viewpoint and from the perspective of the overall situation.

Second, we should manage land strictly according to law, and strengthen law enforcement supervision. The "Land Management Law" is the legal basis on which we manage land and protect cultivated land, and governments and departments at various levels, and all trades and professions should strictly abide by it. All arbitrary use of cultivated land in violation of law, and transgression of authority to screen and approve use of cultivated land should be resolutely corrected. To strengthen law enforcement supervision, land management departments at various levels should fully perform their function of law enforcement supervision, conduct inspections on a regular basis, and discover and handle misappropriation of land in a timely manner.

Third, we should adhere to the principle of "opening up resources" and "reducing use of resources," and stabilize the acreage of the existing cultivated land. "Reducing use of resources" means to strengthen management of land use, and reduce all irrational use of land. We should apply the system of application for approval to use of land for construction purposes and subsume use of land for construction purposes under mandatory plans. Use of land for construction purposes, which is included in the plans, should be screened and approved strictly, the amount of land to be used should be decided rationally, and noncultivated land or inferior land should be used as much as possible instead of cultivated and good land whenever possible. We should stop all unplanned use of land, especially the phenomenon of land waste incurred by the enterprises run by townships (towns) and villages through enclosing with fences large areas for use as yards. In rural housing construction, we should follow the road of renovating the old village to guard against unlimited expansion of the scale of the village. "Opening up resources" means to do a good job in land development. Land resources throughout the province that has yet to be developed amount to 13.727 million mu, of which about 5 million mu can be developed into cultivated land. The development and use of waste land should be carried out in line with local conditions, and waste land may also be used in capital construction. Through "reducing use of resources" and "opening up resources," we should make it possible for the average annual decrease rate of cultivated land to drop from 6 per 1,000 in the first three years in the Seventh 5-Year Plan period to three per 1,000 or lower.

Fourth, we should continue to deepen reform of the land use system. We apply the public ownership system to the land of our country; that is, ownership by all the people and by the collectives of the laboring people. Because the system of use without compensation has been carried out for a long time, ownership cannot be reflected in economic benefits. As a result, the practice of eating from the "common big pot" of land has been established, land waste in urban and rural areas has been encouraged, and losses of a great amount of revenue have been incurred. Reform of the land use system and a change from free use of land to paid use of land have become imperative. Reform of the land use system has been started in one area after another in our province. We have begun to collect land use taxes in urban areas and achieved initial success in the experiment with paid use of land for housing construction in rural areas. We should conscientiously summarize experiences, improve the system, and successfully expand the experimental work.

Fifth, we should successfully carry out the basic work for land management in order to serve economic construction actively. The ongoing survey of land resources is an important task of the basic work. It can change the long period of confusion in the quantity, ownership and use of land, and provide reliable data for developing the national economy and formulating plans for national land development. We should establish and improve the urban and rural land record management system and land statistical system, do a good job in monitoring land use trends, formulate an overall plan for land use, and define the principles, policies and measures for implementing the plan. Only with a success in the aforementioned basic work can we carry out land management to the letter and serve economic construction still better.

Sixth, we should improve land management organs and upgrade the quality of land management personnel. We should adopt various measures such as sponsoring short-term training or correspondence courses and entrusting others to hold training, to upgrade the quality of land management personnel. Land management departments at various levels should conscientiously remain clean and honest in performing their duties, enforce laws impartially, and guard against abuse of power for selfish gains. We should establish and improve the systems of these departments, make their work public, systematize, legalize, and standardize the land management work.

Shanxi Reforms Grain Purchases, Sales

90OH0145A Beijing ZHONGGUO JINGJI TIZHI
GAIGE [CHINA'S ECONOMIC STRUCTURE
REFORM] in Chinese No 10, 23 Oct 89 pp 22-24

[By Qin Ruijie (4440 3843 2638) and Niu Tianmin (3662 3944 2549)]

[Text] In 1988, in compliance with the State Council policy of "preserving a piece and freeing a piece" and the principle of "eating meals from separate pots," Shanxi Province reformed its grain purchasing system, and

while guaranteeing grain supplies at parity price for urban residents and the military, reduced the extent of grain sales at parity prices, decreased contract fixed quota purchasing, and transferred a portion of it to negotiated purchasing. Shanxi also readjusted grain sale prices and instituted a system of fixed quotas for revenues and expenditures for its localities and cities. The province has set up reserves for "category three grains" [bingziliang 0014 1316 9037]. And at the same time, it has instituted subsidies for urban residents and workers and staff personnel because of state and enterprise differences.

From April 1988 when the grain reform program was issued until January 1989, the total sales of parity priced grains was cut by 670 million jin and parity priced oils by 19 million jin, while "category three grain" reserves reached 140 million jin. The intolerable passive situation of the past that saw state subsidies sharply increase year after year has been reversed. The rectification of industrial grain has proceeded smoothly, and the peasants' enthusiasm for cultivating grain has increased. This type of reform constitutes a daring attempt. The overall results have been good. The reform has, without exception, had a positive impact on the production, the circulation, distribution, and consumption of grain, and it has been important in balancing the relationships between prices and promoting commodity production.

Background

Since the 3d Plenary Session of the 13th CPC Central Committee, there had been a huge growth in Shanxi's grain production. However, from an overall standpoint, the level of agricultural productive forces was still quite low and various types of contradictions were becoming increasingly prominent in grain production, purchases, and sales. A host of new problems were appearing. The main ones were as follows:

1. Plagued with natural disasters for several years running, grain production declined for three years beginning in 1985. By 1987 Shanxi's per capita grain production stood at only 540 jin. At the same time, because the fixed quota purchase price of grain was depressed and because the price of agricultural means of production was high, the comparative advantage of grain production declined and the peasant's enthusiasm for cultivating grain and selling it was low. There was, as a result, great difficulty in fulfilling the contractual fixed purchase quotas, and this directly affected the balance between the purchase and sale of parity priced grain.

2. With the sharp rise in the nonagricultural population, the gap between grain purchases and grain sales became larger. Shanxi is a national energy and chemical heavy industry base. In 1986 and 1987, the nonagricultural population showed an average increase of 270,000 people compared with 1985, a growth rate of 4.8 percent, which is higher than the national average. In 1984, the gap between grain purchases and grain sales was 400

million jin. In 1987 it widened to 2.1 billion jin. Being able to feed the populace had become a major problem for the Shanxi economy.

3. The year after year increasing financial burden of grain subsidies was intolerable. In 1980, the financial burden to the central authorities and the province to subsidize above quota purchase prices and markups for grain and for enterprise operating expenses totaled 180 million yuan. After 1984, it progressively increased, and in 1987 it came to 570 million yuan. The pressure of this high increase in deficit subsidies was concentrated on the province's financial resources, and it was impossible for the province to endure it.

4. In the last few years, the rural economy has gradually shifted to a commodity economy. The peasants' awareness of their advantage has greatly increased, and they have begun to shape their production according to the law of value. When the fixed purchase price of grain is too low, the peasants in droves shift to planting industrial crops or to sideline production, grain acreage and grain output become difficult to guarantee, and grain fields in some places even take on the aspect of abandoned land.

This demonstrates that, if we are to promote the development of agriculture and grain production, it is now imperative that we reform the grain purchasing and sales structure, reduce the sales of parity priced grain, decrease contract fixed quota purchasing, and increase negotiated price purchasing.

The Reforms

The reforms of the Shanxi grain structure were decided, according to the actual national and provincial situations and following a thorough investigation and study, a great deal of analysis and argument, and a repeated weighing of the pros and cons. The main points are as follows.

Sales: To reduce the sales of parity priced grain, we must readjust its supply and sales price. Urban residents, students, and military personnel are supplied a per capita fixed amount grain ration at parity price. The grain ration for vegetable farmers in the cities and at administrative office sites under provincial jurisdiction and feed grains for rural areas which choose to raise pigs are supplied at proportional prices according to norms issued by the province and according to pertinent formulations. Rural grain supplies have been completely freed for industrial grain, various categories of grain used for subsidies, grain used by establishments for baked goods, non-staple food, beer, urban and rural fodders, and other foods and beverages. They now are supplied according to negotiated price and market regulation. Edible oils are treated according to the type grain from which they are derived. If the grain has been freed, then the oil is freed.

After the sale of grains and oils were freed, units and enterprises receiving monthly subsidies listed the price

differences—which occurred because the sale of industrial grain and grain used for various types of subsidies was at negotiated prices—as costs and the administrative institutions showed them as disbursements from their funds. The standards for the price differences and the subsidies were jointly decided by grain and price control departments. There could only be one standard for each quarter. Because enterprises using grain listed price differences as costs and because products and product prices of establishments that used grain were strictly controlled by price control departments, implementation was announced in stages.

The approved provincial targeted increase for the sale of parity priced grain and oil is 3 percent each year. It is guaranteed for three years and is the responsibility of the localities and cities. The province does not deduct parity priced grain that is surplus to the localities and cities because it is not sold, nor does it subsidize excessive sales. It is entirely up to the localities and cities to take care of themselves in this regard. Grain coupons and reserve grain do not become invalid. They are still supplied according to parity price. Following the freeing of grain used by establishments, the price of sideline products were readjusted to give employees an appropriate price subsidy.

Purchasing: After the reform of the grain structure, Shanxi readjusted the peasants' grain purchasing quotas into five parts: agricultural taxes, contract fixed purchases, negotiated ceiling price [yidingping 6231 7307 1627], and negotiated transfer price [yizhuanping 6231 6567 1627] and calculations left to the disposal of the localities and cities. The grain levy for the agricultural tax was 300 million jin. The contract fixed purchase amount was 1.2 billion jin. Contract fixed purchase grain that was adjusted downward and switched to negotiated purchase at top parity price amounted to 400 million jin. In addition, central authorities also moved in several hundred million jin. In 1988, the Shanxi grain purchase quota amounted to a basically equitable proportion of total output, and the rural and urban grain markets were basically stable. Contract amounts for the fixed purchase of grain and oil were not adjusted downward, and negotiated purchases were entirely freed.

Three main categories of purchases were implemented for grain and oil, the agricultural tax, contract fixed purchase, and negotiated purchase. A proportional price is used in collecting the agricultural tax, an augmented proportional price is implemented for contract fixed purchases, and a slightly lower than market price or a method decided by the cities and counties themselves is used for negotiated purchases. The wide price differences between the approved reductions in contract fixed purchases and negotiated price purchases redounds to the benefit of the peasant households selling the grain. Whoever sells, obtains the benefit. Whoever sells more, obtains more.

With regard to grain and oil purchases, the province has made the localities and cities responsible for a three-year

period for varieties, amounts, and total amount of augmented costs. It is up to the localities and cities to make up deficiencies in contract purchase quotas by buying negotiated price grain and oil. It is also the responsibility of the localities and cities to make up the differences in costs from excessive payments.

Reserves and their allocation: Reform of the grain structure has partly resolved the topsy-turvy state of grain prices, allowing for subsidy surpluses and a lessening of the state's financial burden. To strengthen the macroeconomic control of the grain markets throughout the province, Shanxi established "category three grain" reserves and set up "category three grain" reserve funds and grain risk funds, allowing the remaining grain to be left to the disposal of the localities (cities) and counties.

"Category three grain" reserve funds and the grain risk funds come from two sources: First, a portion comes from the financial subsidies for parity priced grain which become surplus from holding down sales. Second, a portion comes from the profits Shanxi collectives obtain from the sale of negotiated price grain and oil.

The grain allocation plan that the province works out on a unified basis is completed by each locality and city. Management expenses and subsidy expenses for the parity priced grain are all their responsibility. If there are savings, they retain them. Overspending is not reimbursed.

Initial Results

Promoting the production of grain has increased the income of the peasants. Following the reform, the agriculture tax decreased 130 million jin, 400 million jin was switched from contract fixed purchase to negotiated price purchase, and to varying degrees, the purchase price of wheat, paddy, naked oats, sesame, and rapeseed all increased. The peasants thereby added 69.89 million yuan to their incomes.

The rather large extent to which the sales of parity priced grain and oil were held down eased the contradiction between the supply and demand of grain. After the reform, a portion of the grain that came from holding down sales was released and supplied at negotiated prices, which were adjusted to grain related products. Most of the grain entered market circulation, and the law of value played an obvious regulatory role vis-a-vis market supply and demand. Three major changes resulted. First, people's concept of the law of value took on a stronger meaning with respect to grain. They paid greater attention to economizing, and society's grain consumption dropped. Second, the structure of consumption tended to take on greater diversity, and grain consumption by urban residents decreased. Third, the link between the value of grain and enterprise efficiency became closer, causing establishments to economize on grain use and enterprise consumption to decline. The three declines acted to control excessive consumption of grain and stabilized the grain market. In the 10 months

that the program has been in effect, sales have actually been reduced by 670 million jin.

The active use of grain coupons and reserve grain held in deposit for many years by residents has tended to weaken the effect of the grain market's passive factors. Reserve grain of residents throughout Shanxi totals 2.29 billion jin. It has a strong impact on the province's grain supply. It was calculated that, after the sale of grain was held down, approximately 400 million jin of grain and reserve grain of the residents could be recovered annually.

Enterprises have begun to strengthen their controls over industrial grain. The standards for industrial grain have not changed in more than 30 years. There are a number of illogical factors. After industrial grain was supplied at negotiated prices, greater enterprise efficiency ensued. Many enterprises rectified their use of industrial grain, and the amounts supplied to them showed an obvious decline compared to before.

The topsy-turvy state of grain prices for many years has been partly smoothed out, the financial administration has lost some of its grain burden, and the province as a whole has strengthened its macroeconomic control of economic forces.

Existing Problems

Some grain related products have had price increases. There are roughly 400 varieties of products that use grain as a raw material, and those affected in the province account for an approximate 2.8 percent increase in the total value of commodity prices. Shanxi has taken the following steps to effect strict control over the rise in the price index: Industrial grain, various types of grain used for subsidies, and grain used in establishments—which are supplied at negotiated prices—have the highest top limits on their prices. The prices of popular food items and well known specialty products are strictly controlled. For example, the price of staple foods and bread is not allowed to rise. The prices of products close to people's lives are strictly controlled on the principle that they should be kept low. These measures have played an important role in controlling commodity price increases. However, the prices of some products still have seen huge increases. From what we understand, most of the grain related products with excessively high prices are under the price control of the cities and counties.

Shanxi coal businesses have all lost money, and after industrial grain was freed, their costs increased even more. Since coal prices cannot be increased, the losses have had to be made up from the price differences in the grain that was used. This led to two problems. First, since the subsidy of industrial grain price differences cannot be allowed as a cost, it affected the profits tax, thereby reducing the overall amount of profit taxes for coal businesses. Second, the distortion in coal prices is becoming even more serious and will be affecting coal production.

After grain used by establishments was freed, establishments dealing in baked goods and beer generally experienced difficulties. They had to raise prices, but once they did, sales volume dropped. This affected the efficiency of the establishments.

Compensating for the price differences of industrial grain with respect to their employees is more than can be borne by certain deficit businesses in secondary light industry and in commerce and some businesses earning only meager profits.

Shanxi is now in the process of investigating and studying these problems and preparing to take steps to resolve them so that it can guarantee intensified reform of its grain purchasing and sales structure.

Tibet Sets Grain Production Records

90OH0257B Beijing JINGJI CANKAO in Chinese
6 Dec 89 p 1

[Article by Pi Deyi (4122 1795 5030): "Tibet Grain Output Sets Record"]

[Text] The stable situation in the Tibetan agricultural and pastoral region, plus the "three assurances" of leadership, investment and science and technology have enabled the Tibetan Autonomous Region to bring to a close 10 years of faltering in agriculture, its gross output of grain setting an all time high record of close to 550 million kilograms in 1989.

Tibet has more than 3.2 million mu of farmland at a high altitude above sea level, which supports 86 percent of the local population. During the past eight years, gross output of grain in Tibet has fluctuated around the 460 million kilogram mark, necessitating the shipment of a

large amount of grain from inland. This required an annual government subsidy amounting to 50 million yuan, and it also placed extreme pressure on transportation in Tibet where no railroads exist, and it hurt other economic construction.

During the past two years, the Tibetan Autonomous Region has struggled against a split to stabilize the political situation with one hand, while taking firm grip on the building of the economy to improve the people's livelihood with the other. Leading cadres at all levels went into the front line of production to improve efficiency in operations to produce a "trilevel contracting" situation in attention to agriculture whereby prefecture leaders contracted with counties, county leaders contracted with townships, and township cadres contracted with villages to insure the provision of personnel, funds, and materials needed in agriculture. Over a period of two years, a total of 72 water conservancy projects of various kinds were completed, increasing the irrigated area by more than 100,000 mu, and reviving and expanding the a sown area of more than 60,000 mu. In 10 commodity grain base counties, a number of consistently high yielding fields were built. While bending every effort to apply farmyard manure to these fields, a total of 60,000 tons of chemical fertilizer were also applied over two years.

During 1989, agricultural science and technology personnel went outside official institutions to link up with peasant technical personnel, the two jointly providing technical contracting services for 720,000 mu of farmland. They comprehensively applied conventional agricultural scientific techniques relating to seeds, fertilizer, plant protection, and cultivation. Yields averaged 50 kilograms or more per mu more than from ordinary crop land. On 320,000 mu of "bumper harvest plan" fields, yields increased by an average 30 percent or more.

'Rampant' Corruption Blamed on System

90ON0261A Hong Kong CHING PAO [THE MIRROR]
in Chinese No 149, 10 Dec 89 pp 56-57

[Article by Si Ping (1835 5493): "Queer Happenings Continue Under Unchanged System"]

[Text] Recently, leaders at all levels on the Chinese mainland have been organizing training classes for their subordinates to be indoctrinated in writings of concern to the Central Committee of the CPC, to reinforce their education on the concepts of Marxism and Leninism and Mao Zedong Thought, and their opposition to capitalist liberalization. It is said that the purpose was to prevent a socialist China from becoming a capitalist China.

This writer has, in recent days, been to Shanghai, Nanjing, Hangzhou, and Guangzhou twice, on business that lasted close to a month, and noticed how the local workers, including some party cadres, were passively resisting such political indoctrination. The people did not understand what capitalist liberalization was. Nor did they know what the proletarian revolution was about.

While cadres above the bureau level in these cities were studying these CPC Central Committee documents, someone pointedly asked: "Why was Peng Dehuai, praised by Chairman Mao as the proletarian military leader who made lasting contributions during the war of liberation and the Korean war (assisting Korea against the United States), and who was a loyalist completely dedicated to the policies of the CPC, suddenly transformed, after all these years, into a capitalist plotter and opportunist in 1958? Why was Liu Shaoqi, the dignified president of the PRC who had struggled through thick and thin with Chairman Mao for more than 40 years, and who was designated by Chairman Mao as his heir, suddenly called a renegade, a fifth column traitor and unrepentant capitalist to die tragically in Kaifeng? Why did Deng Xiaoping, the general secretary so praised by Chairman Mao as invaluable, by the end of 1975 become the representative of the capitalist class within the party? Why were some of these capitalist class representatives mostly Mao Zedong's right-hand assistants or outstanding leaders in party politics and the military? Why were these capitalist class representatives able to receive the support and devotion of the whole party, the whole military, and all the people?" Actually, these are questions raised, not only by this one cadre, but by millions of citizens.

It is said that such doubts raised by cadres above the bureau level were addressed by a liberal municipal leader who sighed, "This cannot be explained at this time." He allowed "each to explain it in his own way, as this understanding need not be uniform."

Actually, this is a problem of the system. Mao Zedong had said that illegal wrongs such as those made by Stalin could never take place in such Western countries as the United States, Great Britain, and France, because they

have systems that limit individual power. China at present is lacking such a system. That large numbers of party and political officials are so corrupt now is due largely to the present system. I came across an old schoolmate in Shanghai who told me her father, a former provincial cadre in Henan Province, was hounded to death during the Cultural Revolution. When I asked her views about the 4 June [Tiananmen] incident, she said, "I support completely the students' demands to punish those practicing corruption, but do not approve of their incessant clamor and demonstrations, which some elements have manipulated to the extreme." Tears started flowing as she spoke. She was a Communist Party member, an outstanding one at that. Can she be reproached for being influenced by capitalist liberalization?

Not long ago, a cadre leader from a certain southern province presented a 45-minute report criticizing the mobilization of capitalist liberalization at a conference meeting in which he mentioned "objections to capitalist liberalization" 26 times. In small group discussions he participated in following the meeting, some cadres on the departmental level asked him what, really, could appropriately be called capitalist liberalization. It is not known if this provincial official was holding back or if he simply did not understand, for he repeated, "Everybody is talking about analyzing it. Actually it is both simple and complex at the same time, for this can appear in society anytime." A department head thought he was very smart by implying graft, corruption, bribery, fraud, manipulation of power, and bureaucraticism as signs of liberalization, and going so far as to say that certain positions had been taken over by capitalist liberalization. One does not know whether to laugh or cry at such levels of understanding.

Rampant Corruption

Some powerful neutral publications in Europe and the United States indicated recently that the three countries in the world today with the most serious corrupt practices are Bangladesh, China, and the Philippines. A Chinese who hears such an evaluation must feel compunction and anger.

A monthly publication in Shanghai making an in-depth study of special zones and several seaports for close to a year had found graft, bribery, blackmail, and corruption in more than 85 percent of party cadres. This problem was concentrated in four critical departments: the judiciary and law enforcement agencies, business and commerce regulating agencies, industry and commerce tax revenue agencies, and foreign trade offices. Those able to hold responsible positions in these agencies were chosen selectively for what is called their proletarian ideology and party loyalty, or for their family connections to high office. This was particularly noticeable in managerial positions in trading companies, 70 percent of which were filled by offspring of midlevel and high-level cadres. In

some special zones, this figure was as high as 90 percent. Now, isn't this a clear sign that graft and corruption are strongest in this group?

In Nanjing, Hangzhou, Guangzhou, and Shenzhen, this writer was able to talk with taxi drivers, hairdressers, waitresses, managers, and schoolteachers to gauge their anger and concern about this phenomenon of increasingly rampant corruption. They felt that China would find stability and revival difficult if this problem were not dealt with.

Why is corruption so rampant in these special zones? One important factor is collusion among officials. Once a person reports an infraction to a higher level, he can be criminally labeled as "objecting to reform and openness," and be thrown out of the special zone. According to factual reports, this took place in only two special zones, where more than 70 cadres on the bureau and section levels were returned or forced back, without cause, to their original provincial domiciles. What is odd is that all these people were clean. The people of Guangdong Province say the problem of Liang Hsiang [2733 3276] was already exposed three years ago and reported to the Central Committee in a signed joint petition, but business continued as usual, and now a dead tiger is pulled out as a live one to show the masses. This is the true living reality of China. One cannot blame the people for not believing that the authorities will punish corruption.

Alarming Figures

According to reports from the mainland and disclosures by the Planning Commission and labor and customs agencies, the following figures are noted:

Public funds expended in 1988 for meals and gifts amounted to 61 billion yuan (renminbi), equivalent to an average of 60 yuan from each person in a population of 1 billion. Half that sum, if used to feed the 37 million poor and destitute in the Provinces of Shaanxi, Shanxi, Gansu, Guizhou, Sichuan, and Ningxia, would last three years.

Travel expenses incurred in 1988 to attend conferences and meetings added up to 1.6 billion yuan (not including that for national conferences), exceeding operating expenses for all elementary schools and kindergartens nationwide for the year. Half that sum, about 800 million yuan, would be enough to reclaim 8 million mu of wasteland to produce an additional 4 billion jin of food staples.

In 1988, because of labor absenteeism (passive work slowdown), electric power and water shortages, and other manmade factors, losses ran as high as 49 billion yuan, comparable to building five modern Baoshan Steel Companies, or 250 great Yangzi bridges at Nanjing. Half that sum, that is, 24.5 billion yuan, would be enough to establish at least 50 completely new comprehensive universities capable of training 30,000-40,000 able individuals.

The cost of miscalculations and product waste in 1988, as the result of having corrupt officials in leadership posts and an imperfect system in effect, added up to 16.8 billion yuan, the equivalent of 15 Shanghai Jinshan Petrochemical Plant headquarters, or the total value of 50 meters of synthetic fabric allocated to each person in a population of 1 billion. Half this sum, that is, 8.4 billion yuan, would be enough to build more than 40 million square meters of public housing to accommodate the shelter needs of 5 million persons. The value of goods stored in 1988 (accumulated light and heavy industry products left unsold and imported equipment) reached 24.5 billion yuan, equivalent to the cost of setting up the Shenzhen and Juhai Special Zones in the beginning. Half this amount, 12.2 billion yuan, would resolve employment problems for 10 million individuals.

A total number of 215,000 fact-finding trips were made in 1988, and cost more than \$370 million (not including the more than \$700 million worth of electronic equipment and automobiles brought back). This was comparable to the total value of exports for the year. Half this sum, that is, \$185 million, would be enough to build four modern 1,000-bed general hospitals.

All the problems just discussed have been placed, in all their gravity, before the Central Committee. It is just such rampant corruption that has caused the people to lose faith in the Communist Party. According to reports from the mainland, apart from the use of public funds for meals and gifts, which has shown some restraint in 1989, corrupt practices in other areas show no weakening. Historical experience has shown us that, without an all-out effort to tackle corruption at the source and thoroughly shake up the cadre ranks, not only will popular support be diffused, thereby affecting cooperation and leading to political instability, realization of the "four modernizations" will be even more remote.

Reclassifying 'Counterrevolutionary Crimes' Under Discussion

900N0225A Hong Kong MING PAO YUE KAN [MING PAO MONTHLY] in Chinese, No 288, Dec 89 pp 34-35

[Article by Pi Lei (3968 4320): "General Discussion of 'Counterrevolutionary Crimes' on the Mainland"]

[Text] "Counterrevolutionary crimes" belong to the most serious category of crimes in Mainland China. As early as February 1951, the central people's government specially drafted and promulgated the "Chinese People's Republic Regulations for the Punishment of Counterrevolutionary crimes." for use in dealing with counterrevolutionary crimes. The "Criminal Code of the People's Republic of China" published in July 1979 placed regulations on "counterrevolutionary crimes" in Chapter 1, giving it first position among the eight categories of crimes in the mainland criminal code, thereby highlighting the seriousness of "counterrevolutionary crimes" and the emphasis of the mainland criminal code.

What are "counterrevolutionary crimes?" According to Article 90 of the mainland criminal code, "counterrevolutionary crimes" consist of actions that have as their goal the overthrow of the dictatorship of the proletariat and the socialist system, and causing harm to the People's Republic of China. Mainland judicial specialists and academicians regard "counterrevolutionary crimes" as having two main characteristics: One is that the actions of the accused harms the PRC, for example, plotting to damage the sovereignty, the territorial integrity, and the safety of the motherland, or organizing, leading, or taking active part in counterrevolutionary groups, and so forth. Objectively speaking, in the absence of counterrevolutionary activity, simply having counterrevolutionary thoughts, or the mere disclosure of counterrevolutionary thoughts do not constitute "counterrevolutionary crimes." The second is that the accused must subjectively have a counterrevolutionary intent to overthrow the people's democratic dictatorship and the socialist system. If the actions concerned do not stem from this counterrevolutionary intent, but from other intent, they do not constitute a "counterrevolutionary crime."

Mainland "counterrevolutionary crimes" may be divided into the following several kinds:

1. Betrayal of the motherland.
2. Plotting to overthrow the government.
3. Plotting to split the nation.
4. Instigating betrayal or armed rebellion.
5. Defecting to the enemy.
6. Armed mob rebellion.
7. Gathering a mob to free prisoners by force.
8. Organizing prison escapes.
9. Espionage.
10. Secret operations.
11. Treason.
12. Organizing, leading, or actively taking part in counterrevolutionary groups.
13. Organizing or using feudal superstition, superstitious sects, and secret societies to conduct counterrevolutionary activities.
14. Counterrevolutionary sabotage.
15. Counterrevolutionary homicide.
16. Counterrevolutionary injury to people.
17. Counterrevolutionary propaganda and incitement.

The mainland criminal code provides severe punishments for the aforementioned "counterrevolutionary crimes." Except for "organizing, leading, or actively participating in counterrevolutionary groups" and "counterrevolutionary propaganda and incitement," for which the maximum punishment is 15 years imprisonment, all other "counterrevolutionary crimes" may be punished by death. The criminal code also specifically provides that counterrevolutionary criminals are additionally to be deprived of their political rights and are not to be deprived. After serving their sentence or obtaining release, should counterrevolutionaries ever commit another "counterrevolutionary crime" at any time, they are to be punished for recidivism.

Historical Background to Proposals To Abolish "Counterrevolutionary Crimes"

There are two historical backgrounds to proposals to abolish "counterrevolutionary crimes": One is for the mainland to discard "taking class struggle as the key link," gradually shifting the focus of the criminal code from "counterrevolutionary crimes" to economic crimes. The second is the discovery of numerous abuses in "counterrevolutionary crimes" formulations in the process of enforcing the criminal code.

Although some people have been dubious about "counterrevolutionary" charges for several years, and have recommended their abolition, it has only been during the past several years that the cry has become increasingly loud and clear. The renowned mainland criminal code scholars, Professor Gao Mingxuan [7559 6900 2537], Professor Ma Kechang [7456 0344 2490], Professor Fan Fenglin [2868 7364 2651], Dr. Zhao Bingzhi [6392 4426 1807], and Dr. Wang Yong [3769 0516], have striven to abolish the "counterrevolutionary" charge from the mainland criminal code, substituting "crimes damaging national security." In an October 1988 speech, Gao Xijiang [7559 6007 3068], deputy director of the NPC [National People's Congress] Legal System Work Committee also referred to the abolition of "counterrevolutionary crimes" from the prevailing criminal code, replacing them with "crimes damaging national security." During the same year, the Criminal Code Office of the NPC Legal System Work Committee drew up a revised draft of the criminal code, which explicitly abolished "counterrevolutionary crimes," substituting "crimes damaging national security."

Reasons for Proposals To Abolish "Counterrevolutionary Crimes"

The reasons for mainland scholars' proposals to abolish "counterrevolutionary crimes" are as follows:

First, following the 3d Plenary Session of the 11th party Central Committee, the mainland changed from "taking class struggle as the key link" to taking economic construction as the main task. Continued use of the charge of "counterrevolutionary" was no longer in keeping with the new circumstances and did not help the building of the mainland economy and reconciliation endeavors.

Second, "counterrevolution" is a political concept rather than a legal concept; therefore, use of such a charge is not in keeping with the standardization of laws.

Third, the concept of "counterrevolution," particularly the meaning of "counterrevolutionary goals" is ambiguous, not readily explainable, and may easily lead to subjective criminal charges.

Fourth, substitution of "crimes damaging national security" for "counterrevolutionary crimes" is helpful in international tussles. This is because "counterrevolutionary crimes" clearly belong in the category of political crimes and, since "no extradition of political criminals"

is the common international practice," the mainland finds it very difficult to punish counterrevolutionary criminals who flee to foreign countries.

Fifth, the USSR and other socialist countries also provided for "counterrevolutionary crimes" during the initial period following their founding, only to change later on to "crimes harming national security," or "national crimes." Lessons may be drawn from this development.

Reasons To Retain "Counterrevolutionary Crimes"

On the other hand, quite a few people believe that "counterrevolutionary crimes" must be retained in the criminal code, their main reasons being as follows:

First, retention of "counterrevolutionary crimes" is rooted in the Constitution. Article 28 of the Constitution provides for "state maintenance of social order, suppression of rebellion against the state and other counterrevolutionary activities, and punishment and reform of criminals." "Counterrevolutionary crimes" in the criminal code were drawn up in accordance with this provision.

Second, retention of "counterrevolutionary crimes" is in keeping with the spirit of the 3d Plenary Session of the 11th party Central Committee and the 4th Plenary Session of the 13th party Central Committee. Both plenary sessions stressed maintenance of the four basic principles, and the struggle against counterrevolution likewise helps implementation of the four basic principles.

Third, retention of "counterrevolutionary crimes" is in keeping with the realities of the class struggle during the preliminary stage of socialism. Although class struggle is no longer the main domestic contradiction at present, it still exists, and it could intensify under certain circumstances; consequently, suppression of counterrevolutionary criminals cannot be relaxed for a minute.

Fourth, retention of "counterrevolutionary crimes" is in keeping with the mainland's historical legislative practice; it can be readily understood and accepted by the broad masses.

Estimate of the Situation Following the "4 June" Incident

Up until the time of the "4 June" incident, cries for the abolition of "counterrevolutionary crimes" were very loud, and the situation was also developing in the direction of abolishing "counterrevolutionary crimes." This was very evident in the legislative work of the time.

However, because the "4 June" incident was a "counterrevolutionary rebellion," rarely is the issue of abolishing "counterrevolutionary crimes" raised anymore.

Various signs indicate a slowing of work on revising the criminal code by the NPC Legal Work Committee. As to whether "counterrevolutionary crimes" will be abolished or discussed anew, under present circumstances at least, legislative organs cannot abolish "counterrevolutionary crimes." To do so would have a negative effect on the "investigation of counterrevolution that the authorities are now conducting." (Quotation marks added by the author.)

Nevertheless, criminal code specialists persevere in their views on the abolition of "counterrevolutionary crimes." At the annual meeting of the Criminology Research Society of the Chinese Jurisprudence Society held in October 1989, many experts and schools advocated abolition of "counterrevolutionary crimes." Since revisions to the criminal code are usually made on the basis of the views of experts and scholars, it is not impossible that "counterrevolutionary crimes" will soon be abolished on the mainland.

Public Security Official Reports on Entries, Exits *OW2501190290 Beijing XINHUA in English* 1113 GMT 25 Jan 90

[Text] Beijing, January 25 (XINHUA)—Over 60 million people, including three million foreigners, entered and left China in 1989, according to the Ministry of Public Security.

Cao Yanhua, an official of the Ministry of Public Security, told XINHUA that of the 60.98 million entries and exits 45.6 million were those of Hong Kong and Macao compatriots, 150,000 were those of Overseas Chinese, and 1.1 million were those of Taiwan compatriots. Of the Chinese citizens, 1.45 million entry and exit passengers were on official business while 1.08 million were undertaken for private reasons.

Moreover, Chinese ports and airports handled nearly 160,000 ships and 30,000 aircraft in 1989.

Cao noted that the armed border police also cracked 3,000 smuggling cases, and seized 2,200 ships on charges of smuggling and seized smuggled goods worth 350 million yuan (about 74.4 million U.S. dollars).

The armed border police also captured special agents and criminal suspects, and seized some 80,000 contraband objects at airports.

Better Training Urged in Army Command System
HK0402073890 Beijing JIEFANGJUN BAO in Chinese
 23 Dec 89 p 3

[Article by Xu Haowen (6079 3185 2429): "Training of Command Organs Should Be Upgraded"]

[Text] Command organs constitute a comprehensive body in which various internal mechanisms operate in a coordinated manner. All correct policy decisions are the result of the normal operation and organic combination of the internal mechanisms. Only by making the most of the various internal mechanisms can we improve the command functions as a whole. Because of longstanding traditional concepts and force of habit, the training content for command organs was outdated and the methods were simple, repeating at the same level and seriously affecting improvement in the functions of the command organs. To upgrade training of the command organs—that is, to improve the professional level and art of command of senior and staff officers—will be essential for intensifying the training of the command system.

The rapid development of modern science and technology and their extensive application to the military field have led to major changes in operational thinking, methods, and theories. At present, the United States, the Soviet Union, and other countries attach great importance to research in this field. If we disregard changing conditions, fail to study modern warfare in connection with practice, and get used to thinking of cause and effect in a simplified manner, it will be impossible for us to meet the rapidly developing new situation.

Modern limited war is the main form characterizing wars at present and for a considerable period in the future. To make a study of new operations, it is necessary start with the characteristics of modern limited war and replace outdated training contents and methods. Moreover, as all kinds of equipment for command organs are continuously improving and new training topics and methods are constantly changing, the guiding ideology, principles, content, methods, and rules of training in the command system must be revised in light of these new characteristics and changing conditions. The most important thing at present is to draft training outlines and regulations for the command system and establish an integrated scientific training system. Meanwhile, it is necessary to speed up the upgrading, perfecting, and compiling of teaching materials and integrate the theories of modern warfare with practice.

Training and development of qualified personnel are an essential question of upgrading training in the command system to a higher level. Why has training in the command system remained at the same level over the years? Why have the application and popularization of new theories and advanced technologies encountered obstacles? The main reason is a lack of attention paid to the building of the "soft environment." For example, many command organs have microcomputers, but the number of people who know how to operate them and who have

made great efforts to develop software is limited. Hence, many advanced technologies and new equipment are not properly developed and applied. The primary questions in building the "soft environment" are to increase investment in intellectual resources and to develop and train qualified personnel. Leading cadres at all levels should foster a correct idea of training qualified personnel, get rid of the small production, narrow-minded concept, and make the training of qualified personnel meet the building of army modernization.

Although we have stressed implementing the timing, personnel, content, and quality of training over the years, it is common for these not to be properly implemented. To ensure that training of the command organs is regularized, it is necessary to exercise scientific management over training and to perfect training rules and competition mechanism.

In the long-distance surprise attack launched by the U.S. military against Libya on 14 April 1986, more than 100 aircraft of a dozen models took off from three bases and two aircraft carriers. Over a distance of more than 10,000 kilometers, the aircraft refueled only six times in the air and acted in close cooperation with shipboard aircraft. The entire surprise attack operation took place in the dark and they used only 12 minutes to drop 100 tons of bombs, seriously destroying the main facilities of the target. In this large-scale operation and under extremely complicated conditions, the U.S. military handled the situation with ease, fully manifesting the effectiveness of the overall functions of its automated command system as well as the strict overall training of the U.S. military. Hence, apart from paying attention to the basic training of the command organs, the key to strengthening overall training lies in improving the practical command capacity of the command system.

Importance, Goals of Militia, Reserves

HK0602070190 Beijing JIEFANGJUN BAO in Chinese
 29 Dec 89 p 2

[Article by Chen Zuocai (7115 0146 6299), deputy commander of Hubei Military District: "Tentative Discussion on Criteria for Militia and Reserve Service Work"]

[Text] Different people hold different views as to what the criteria are for carrying out militia and reserve service work and by what standards militia and reserve work are evaluated? Thus there has been a definite degree of confusion in planning, placing emphasis, and evaluating work. Therefore, it is very important for us to explore this question and be clear about it.

Before we set the criteria for militia and reserve service work, we must be clear about the fundamental purpose for carrying out militia and reserve service work and about why the provincial military district system exists. The reason our country must carry our militia and reserve service work and establish the provincial military district system is basically to strengthen the reserve

forces for national defense and make good preparations for mobilization. Accordingly, the purpose of militia and reserve service work is: To put militia and reserve service work on a sound basis organizationally, politically, and militarily, and to make the reserve forces always ready and capable of engaging in battles.

To put militia and reserve work on a sound organizational basis is to properly and rationally divide the reserve forces into squads, platoons, companies, and battalions according to the "Military Service Law," and the principles for militia grouping as worked out by the Central Military Commission and the General Political Department. On the whole, primary militia should carry out roughly the same duties as those of servicemen who can be mobilized, and specifically, 90 percent or more of companies should retain at least one primary militia squad. Militia cadres should possess all necessary equipment, and officers and men should know one another well. The system should be sound so that the militia can carry out its well-organized activities systematically.

To put the militia and reserve work on a sound political basis is to ensure that the contingents of militia are simple and honest. They take a firm stand in distinguishing the right from the wrong of paramount important matters, are highly aware of the need of national defense, and voluntarily carry out their military duties. The facilities and equipment of grassroots armed departments and specially trained cadres should be in keeping with the stipulations of the Central Committee: to inherit and carry forward the glorious tradition that the party has control over arms and to always put militia and reserve work under the party's absolute leadership. There should proper placement of retired soldiers and provision for care to the dependents of military martyrs. The militia and reserve workers should play the role as a backbone in major engineering projects, development of production, eliminating poverty, upholding spiritual civilization, and so forth.

To put the militia and reserve work on a sound military basis is to finish the military training given by one's superiors and to respond to the military call-up, and to set up bases reserving soldiers with special skills as the requirement specifies. It is to maintain in good condition the military equipment of the militia; to have a good grasp of local military topography and the number, quality, and distribution of local militia and reserve workers; to work out contingency plans for battles, mobilization, flood control, fire and theft prevention, etc.; and to complete such military preparation duties as guarding important positions and maintaining social order.

To make the reserve forces always ready entails the following: Upon receiving orders from its superiors, the provincial military district can quickly mobilize and muster its contingents and transport them to the specified place within a fixed time. To make them capable of engaging in battles is to be sure that the militia possesses combat effectiveness so strong that it can complete

various contingency duties in normal times and carry out various military duties of a militia nature. To make the reserve forces always ready and capable of engaging in battles is the ultimate goal of the "three implementations."

These criteria are in line with the nature and duties of the provincial military district system, and summarize the main aspects of militia and reserve work. The CPC Central Committee, the State Council, and the Central Military Commission have stressed repeatedly that the main duties of a provincial military district, military subdivision, or country (city) people's armed departments are to carry out militia and reserve work. Over the years, one of the most important reasons why the militia and reserve work has not been satisfactorily carried out, despite the fact that some units and cadres under the provincial military district system have devoted their energy to it, is that they have not had standard criteria, making them feel that militia and reserve work is a "soft goal," and that it makes no difference how they do it. These criteria show clearly that militia and reserve work during this new epoch is not redundant but has more strenuous duties. To be clear about and to uphold these criteria is favorable to bringing into play the initiative of vast numbers of armed cadres and to enhancing their consciousness of carrying out their fundamental duties.

Military Organs Play Key Role in National Defense Education

*HK0102073990 Beijing JIEFANGJUN BAO in Chinese
21 Dec 89 p 2*

[Article by Sun Hongquan (1327 3163 3123) and Cui Guangju (1508 1639 5112), commander and chief of staff, respectively, of the Jinhua Military Subdistrict, Zhejiang Province: "Joining Discussion on the Role of Organizations Affiliated with Zhejiang Provincial Military District"]

[Text] A certain number of newspapers have published some views on the role of organizations affiliated with the Zhejiang Provincial Military District in national defense education. We wish herewith give our views on the issue in light of our concrete work.

Organizations affiliated with the provincial military district are bridges between the Army and local authorities and "departments," linking the Army to local authorities. In our opinion, these "departments" play a decisive role in national defense education, acting well as both a "commander" and a "staff officer and secretary."

Viewed from social angle, a "commander" should play a leading role. Leading organizations at different levels under the provincial military district include mainly the People's Armed Forces departments, which are direct organizers of the national defense reserves and also military departments, and are recruiting organs of local party committees and governments, and whose principal

leaders also take part in the work of Standing Committees of local party committees. From this point of view, these leading organizations should undoubtedly be good "commanders."

To be a good "commander," these leading organizations should first perform their duties faithfully, fulfilling the tasks of military service and the militia reserve service so as to lay a solid foundation for the national defense reserves. However, we cannot think that this is all that we can do. We must know we cannot make much progress if we do militia reserve service work in a narrow-minded way. In the present work relating to the militia reserve service, we often meet with difficulties in enlisting men for the militia, getting time for training, obtaining sufficient outlays, and making proper arrangements for the work. As a matter of fact, this a concrete manifestation of national defense education being weakened among the whole people. For this reason, only by intensifying national defense education, strengthening the sense of national defense among the whole people, and helping the broad masses of the people understand and support the work of the militia reserve service, will militia work be done well. In this connection, organizations affiliated with the provincial military district should be bold enough in issuing orders in conducting national defense education among the whole people, making decisions, assuming responsibility, and truly playing an organizing and leadership role. Over the past few years some people's concept of national defense was weakened, militia reserve service work could be carried out only by working one's connections and trying to form ties to some people. To deal with such a situation, we emphasized conducting national defense education among the militia reserve forces and aroused them to promote national defense education in Jinhua City. In turn this also developed the work of the militia reserve service.

To be a "commander," from the angle of the Army, organizations affiliated to the provincial military district should be a mainstay because they have the features of both the military and locations, maintain close ties to local authorities, and are familiar with economic work. It is, therefore, easy for them to link up with different fields and achieve good results in carrying out national defense education among the whole people. This year the military subdistrict opened a juvenile military academy in cooperation with the Jinhua City Communist Youth League and the city's education committee. When they were faced with difficulties in manpower, financial capacity, and material resources, we actively raised funds and gave energetic support to them. As a result, the military academy developed smoothly and achieved good results, and even the public media gave wide coverage to it.

Nevertheless, being a "commander" in carrying out national defense education among the whole people is far from enough for organizations affiliated with the provincial military district, they should also be a good "staff officer and secretary." This is because they, as

military departments of local party committees and government, should not be divorced from the leadership of local party committees and governments to independently carry out national defense education among the whole people, but should voluntarily act as a good staff officer and carry out education according to unified arrangements made by local party committees and governments. Experience has demonstrated that, without the support of local party committees, governments, and departments, national defense education can hardly achieve ideal results in any form. Now, many local authorities have set up offices for leading national defense education, which consist of departments in charge of propaganda, civil affairs, education, and judicial affairs, as well as trade unions, Communist Youth Leagues, and women's federations to be held responsible for local national defense education. Leading bodies of organizations at various levels affiliated with the provincial military district should cooperate of their own accord with the offices, always keep local leaders informed of problems cropping up in the work of national defense education, and come up with solutions to the problems. This can spur local departments at various levels to pay attention to and support the work so that national defense education can be popularized among the whole people.

In saying that leading bodies at different levels affiliated to the provincial military district should be a good "staff officer and secretary," we also means that they should do more actual deeds such as promoting the education, working out plans, taking the lead in securing close coordination, making investigation, and studying and popularizing examples. To do more actual deeds, the leading bodies should dare to play the lead at will. Of course, they should also be willing to be a "utility man." People now say that Army control is exclusively the work of national defense education. In our opinion, such a phenomenon is inevitable in the primary stage of carrying out national defense education among the whole people. That is why we should do more work and play a role of "yeast" and "catalytic agent." As long as we make persistent and unremitting efforts, our work of national defense education will visualize a situation full of vigor.

Defense Industry Develops Civilian Goods

OW0402193590 Beijing XINHUA Domestic Service
in Chinese 1331 GMT 3 Feb 90

[Text] Beijing, 3 Feb (XINHUA)—The State Council and the Central Military Commission recently approved and disseminated a "Request for Instructions on Furthering the Work of Combining Military and Civilian Production" submitted jointly by the State Commission of Science, Technology, and Industry for National Defense, the State Planning Commission, and the State Science and Technology Commission. In this regard, the State Council and the Central Military Commission also issued a circular calling on all departments and localities to cooperate closely and coordinate earnestly with one another in strengthening leadership over the work of

national defense science, technology, and industry in an effort to combine military and civilian goods production. They are also urged to show concern for and give support to the development of national defense science, technology, and industry in the hope of making still greater contributions to the socialist modernization program.

The request for instructions, which also serves as a report, from the Commission of Science, Technology, and Industry for National Defense, the State Planning Commission, and the State Science and Technology Commission points out the following: Since the 3d Plenary Session of the 11th CPC Central Committee, national defense science, technology, and industry have made all-out efforts to develop the production of civilian goods and expedite the transfer of technology of the military industry to civilian industries, while ensuring fulfillment of the production of military items. As a result, national defense science, technology, and industry have become an important force in national economic construction. As far as nuclear, aeronautical, astronautical, and weapons industries are concerned, the proportion of civilian products in the total output value has climbed from 8.1 percent in 1979 to over 60 percent in 1989. At the same time, close to 30,000 technology transfers have been made from the military industry to civilian industries. The volume of transactions covered by technological cooperative contracts has increased each year, giving fairly good economic and social benefits.

To further promote the combination of development and production of military items and civilian goods by national defense science, technology, and industry, the Commission of Science, Technology, and Industry for National Defense, the State Planning Commission, and the State Science and Technology Commission, in the report and request for instructions, have called on all departments and localities to fully and unrelentingly implement the policy of combining military and civilian production and to make full use of the production and research capacities of the military industry to serve the purpose of developing national and local economies. Efforts should be made to strengthen industrial planning and overall guidance, persist in combining the planned economy with market regulation, and work out military-civilian combination programs to turn out products to meet civilian needs on the basis of the requirements of national economic development and the production and research capacities of military industry departments. All provinces, autonomous regions, and municipalities should make overall plans for using the capacities of local units of national defense science, technology, and industry, and include them in the framework of the economic, technological, and social development of their respective localities. Continued efforts should be made to implement and perfect the policy of supporting military-civilian combination. In dealing with military industrial enterprises developing civilian products, the principle to be carried out is to "treat them all on an

equal basis, give them the same preferential treatment, and provide them with special care as appropriate." In addition, particular attention should be given to the development of the work of transferring military industrial technologies to civilian industries and the commercialization and industrialization of such technologies.

Weapons Industry Contributes to Reform Effort

*HK3101071390 Beijing JIEFANGJUN BAO in Chinese
14 Jan 90 p 1*

[By Ying Mingyang (2019 2494 7122): "China's Weapons Industry Makes Great Achievements in 10 Years of Reform"]

[Text] Beijing, 13 Jan (JIEFANGJUN BAO)—In the decade of reform and opening up, carrying forward the glorious tradition of self-reliance, hard struggle, innovation, and the selfless devotion of veteran sappers, the 1-million-strong great army of China's weapons industry has made important contributions to national defense building and socialist construction, and has scored impressive successes.

This reporter has learned from the China Weapons Industry Work Conference, which opens today, that, after overcoming various difficulties, such as pressing time, high demands, and heavy economic burdens, China's weapons industry has established a relatively comprehensive weapons system of scientific research and production, and has fulfilled in an all-round way all production and trial production tasks in terms of both quality and quantity; thus fully guaranteeing the weapons needs of our armed forces.

The decade of reform and opening up has seen quite rapid development in weapons research. We have made considerable achievements. During this period, our Army's principal weapons and equipment have been basically upgraded by one generation, and its mobility and fighting power have been raised considerably. By raising the ratio of investment in weapons research facilities and construction, the weapons industry has built a number of high-level laboratories and improved scientific research conditions and test methods, thus accelerating the attainment of results. Over the past 10 years, over 1,400 weapons-related scientific and technological items have won awards at the ministerial level or above. Of these, 261 items have won awards at the national level. We have made new headway from prior research, thus providing technological reserves for the development of future weapons types. By the end of last year, we had completed the design of more than 100 items. The successful development of this key equipment has raised our weapons and equipment to a new level.

Over the past 10 years, China's weapons industry has energetically implemented the policy of "integrating military and civilian products." While vigorously grasping scientific research, it has, in line with state industrial policy, developed a number of products with a high starting point and distinguishing features, which fill

in the gaps in our country or which can be used as import substitutes. At present, the weapons industry has turned out more than 700 products in 18 major categories, developing into a series of pillar products including automobiles, motorcycles, railway carriages, train axles, refrigerators, cameras, and chemical products. Last year, more than 100 civilian products successfully entered international markets. The output value of the industry's civilian products accounts for 60 percent of the total output value. Over the past decade, it has progressively increased by an average of 25 percent. Four of its products have won state gold medals, 189 have won silver medals, and 132 have won the titles of quality products at the ministerial or provincial level.

Over the past 10 years, China's weapons industry has opened up a new situation in opening up the international market and export trade. Between 1979 and 1989, its export trade expanded from a single market at the very beginning to multidirectional exports today, and from the export of single-item products to numerous forms of operations today, such as technological export, contracts for engineering projects, and labor export. Statistics show that the volume of foreign export of China's weapons industry has exceeded \$10 billion over the past 10 years.

Military, Civilian Production Combined in Weapons Industry

OW0202120290 Beijing XINHUA Domestic Service in Chinese 0328 GMT 31 Jan 90

[Text] Beijing, 31 Jan (XINHUA)—According to weapons production departments, China's weapons industry has achieved tremendous results in the second phase of its pioneering endeavors. Civilian goods produced by arms manufacturers now account for three-fifths of the industry's total output value.

China's weapons experts have designated 1949-79 as the first phase of pioneering work by the country's weapons industry. During this period, China built from scratch a relatively complete network for arms research and production. In 1979, the country started to readjust the industrial and production structure of its weapons manufacturing through the combined production of military and civilian goods and the vigorous development of civilian products. Experts describe the time since then as the second phase of pioneering efforts by China's weapons industry.

During the 11 years since the second phase of pioneering work began, the weapons industry has invested a total of 2.15 billion yuan in the development of civilian products. More than 700 kinds of civilian goods, falling into 18 major categories, are now produced by the industry. These products, which have become the industry's key commodities, include automobiles, motorcycles, freight trains, train axles, refrigerators, cameras, chemical products, and firearms and ammunition for civilian use. The output value of civilian goods produced by weapons manufacturers rose by an average of 25 percent annually from 1979 to 1989, with the 1989 output outpacing 1979's sevenfold.

One-third of China's key weapons manufacturing enterprises have now essentially developed a stable capacity for producing a series of major civilian goods that are readily marketable and of high quality. The Changan minicar, the Jialing motorcycle, and other quality products have become name-brand goods.

The strict quality control system developed over the years has paved the way for military produced civilian goods to make inroads into the international market. More than 100 kinds of civilian products, totaling more than \$300 million, were exported in 1989.

Leaders Mourn Death of Former PLA Logistics Officer

OW0602013090 Beijing XINHUA Domestic Service in Chinese 0706 GMT 5 Feb 90

[Excerpt] Beijing, 5 Feb (XINHUA)—Comrade Yin Chengzhen [3009 2110 4394], who was an outstanding member of the Communist Party of China, a faithful fighter for communism, an outstanding leading cadre of the logistical work of our Army, and a former adviser to the PLA [People's Liberation Army] General Logistics Department, died of illness in Beijing on 5 January 1990 at the age of 75.

A ceremony to pay last respects to the remains of comrade Yin Chengzhen was held in the auditorium of the Babaoshan Cemetery of Fallen Revolutionaries in Beijing on 20 January. Wreaths were sent by Li Xian-nian, Wang Zhen, Wang Ping, and Yu Qiuli as well as party and government organizations including the Ministry of Finance, the PLA General Logistics Department, and Hubei Province's Chongyang County. Wang Bing-qian and other comrades presented wreaths and attended the ceremony to pay last respects to the remains of Comrade Yin Chengzhen. [passage omitted]

EAST REGION

Fujian TV Begins New Broadcast to Taiwan

OW0402011890 Beijing XINHUA Domestic Service
in Chinese 1238 GMT 2 Feb 90

[By correspondent Min Yan (7044 1693)]

[Text] Fuzhou, 2 Feb (XINHUA)—“Letter Box of the Strait,” a new program offered by the Fujian TV Station, went on the air today.

In recent years, questions raised or services requested by Taiwan compatriots or members of their families have become greater in number and wider in scope. To cope with this new situation, “Letter Box of the Strait” will provide its best information to Taiwan compatriots and members of their families in the following fields: visiting relatives, tourism, seeking relatives and friends, marriage and family services, property inheritance, consultations on economic and trade affairs, investment guidance, product promotion, medical services, settling in the mainland and finding jobs, policy implementation, legal notarization, banking, and insurance.

CENTRAL-SOUTH REGION

Guangdong CYL Implements Central Committee Circular

HK0502025590 Guangzhou Guangdong Provincial
Service in Mandarin 0400 GMT 3 Feb 90

[Text] Over the past few days, the Communist Youth League [CYL] organizations at different levels throughout the province have seriously studied the circular issued by the party Central Committee on strengthening the party's leadership over trade unions, the CYL, and women's federations and made arrangements for the implementation of the circular's guidelines.

All CYL organizations are determined to further consolidate themselves and improve their work in the light of the circular. At study meetings, the participants held that the circular was of immediate significance for further stabilizing the political situation, further arousing the socialist enthusiasm of the broad masses of the people, and in particular of CYL members and young people, and for consolidating the people's democratic dictatorship, developing the cause of socialism, strengthening the CYL, and giving full play to the CYL role as CPC aid. By reviewing CYL work in Guangdong Province during the 10 years of reform and opening up to the outside world, CYL organizations at all levels and their cadres acquired a better understanding of the circular's guidelines. They pointed out that the CYL will accomplish nothing if they depart from the party's leadership.

Proceeding from the requirements set by the circular and from actual conditions in the province's CYL work, the provincial CYL Committee seriously discussed and

worked out plans for further strengthening and improving the work of the province's China Youth League.

SOUTHWEST REGION

Tibet Commends Individuals for Quelling Turmoil

HK2901090890 Lhasa Tibet Regional Service
in Mandarin 1430 GMT 27 Jan 90

[Text] The CPC Committee of the organs directly under the Tibet Autonomous Regional CPC Committee and the Tibet autonomous regional people's government has recently issued a circular commending three advanced units and 40 advanced individuals for making outstanding contributions in the struggle of quelling turmoil in Lhasa City.

The circular issued by the CPC Committee of the organs directly under the Tibet Autonomous Regional CPC Committee and the Tibet autonomous regional people's government called on all CPC members and Communist Youth League [CYL] members and the broad masses of the cadres and staff and workers in the organs directly under the Tibet Autonomous Regional CPC Committee and the Tibet autonomous regional people's government to learn from the fine spirit displayed by those advanced units and individuals, strengthen loyalty to the party, the motherland, and the people, strengthen confidence in socialism, safeguard the unification of the motherland, strengthen nationality solidarity, overcome difficulties by fearing neither hardship nor death, develop revolutionary heroism and a selfless spirit, rely on the masses, and serve the people heart and soul.

The circular also called on all CPC members and CYL members, as well as the broad masses of the cadres and staff and workers in the organs directly under the Tibet Autonomous Regional CPC Committee and the Tibet autonomous regional people's government, to rally closely around the CPC Central Committee headed by Comrade Jiang Zemin, conscientiously study and implement the spirit of the 4th Plenary Session and the 5th Plenary Session of the 13th CPC Central Committee, conscientiously study and implement all the important instructions issued by the central authorities with regard to the work of Tibet, conscientiously study and implement the spirit of the 8th Enlarged Plenary Session of the 3d Tibet Autonomous Regional CPC Committee, adhere to the basic line of the CPC and the principle of grasping two links at one time, steadfastly carry on the struggle against separatism through to the end, and make greater contributions to the building of a united, prosperous, and civilized socialist new Tibet.

UN Representative Reiterates Sovereignty Over Tibet

OW0702060990 Beijing XINHUA Domestic Service in Chinese 0851 GMT 6 Feb 90

[Text] Geneva, 5 Feb (XINHUA)—At the UN Human Rights Conference held here today, the Chinese representative again reaffirmed that "Tibet is an inalienable part of Chinese territory" and stressed that, any attempts to incite "Tibet's independence" are doomed to failure.

Zhang Yishan, China's deputy representative attending the 46th session of the UN Human Rights Commission, made the above remarks at a discussion of the question of national self-determination when representatives of an extremely few nongovernmental organizations attacked China under the pretext of human rights.

Zhang Yishan said, "Since the 13th century, Tibet has always been an inalienable part of Chinese territory. Over the past 700 years, successive central governments all exercised effective and sovereign administration over Tibet. At present, Tibet, as an autonomous region, an administrative division analogous to a province, is an inalienable part of the PRC like other administrative divisions. This is a fact recognized by all governments of the world."

Zhang Yishan sternly pointed out that some people, however, have gone so far as to disregard the spirit of the UN Charter, the norms of international law, and historical facts, and preached the realization of the so-called "right to national self-determination" in Tibet. This is actually inciting "Tibet's independence" in a vain attempt to split Chinese territory. This is barefaced interference in China's internal affairs.

Zhang Yishan said that those who attempt to split Tibet from China and make it their appendage are doomed to failure.

Talking about human rights in Tibet, Zhang Yishan emphatically pointed out that, as early as 1959, the Chinese Government already conducted democratic reform and abolished feudal serfdom in Tibet. This in itself was a great contribution to promoting and realizing basic human rights in Tibet. It enabled former serfs and slaves to take destiny in their own hands and become the masters of society. For the first time, they truly enjoy all the fundamental human rights guaranteed by the Constitution of the PRC.

NORTH REGION**Party's Work in Tianjin Praised**

HK2212060189 Beijing RENMIN RIBAO in Chinese 4 Dec 89 p 5

[Article by staff reporter Yang Chuanchun (2254 0278 2504): "The Strength Lies With the Popular Will—First Part of an Account of the Party's Work in Tianjin Municipality"]

[Text] The relationship between the party and the people in Tianjin Municipality is as simple as the sea or a river: It is neither extraordinarily elegant nor soul-stirring. Nevertheless, it does not just contain, but has released, energy. Whether in the face of a difficult and arduous task or the shock of waves, it will immediately burst forth a force as fast as lightning, showing extremely great and robust beauty.

During the turmoil that took place during the spring and summer, while crossing out the two Chinese characters reading "people" from the plate of the Heping District People's Government Guesthouse, one student said, "A people's government? It is a corrupt government!" Immediately, a crowd of people moved forward and encircled him. Pulling the student out, an old worker said, "Boy, on what grounds do you say our government is not a people's government? You, wretch! Who says the Communist Party is no good? Wretch!" At a university, when someone urged striking down the principal leaders of the municipal party committee and government, some people with wide experience immediately retorted, "The Tianjin municipal party committee and government have high prestige among the people. Those who oppose them will get an unlucky break."

"The First Signal" and Old Women's "Philosophy"

The theoretical basis for the Tianjin municipal party committee's basic line of thinking in all fields of work, which is characterized by "doing everything for the people and relying on the people in everything," is the party's purpose and historical materialist philosophy. Tianjin did not separate the functions of the party from those of the government in an oversimplified fashion. Proceeding from the position and nature of a ruling party, it stressed turning the party's will into the government's action. Hence, the municipal party committee and government summarized "everything is for the people" into a very simple slogan of "doing solid work," and the masses of people simplified "relying on the people in everything" as "boosting enthusiasm."

The first principle of "doing solid work" is to regard the voice of the masses as "the first signal." We cannot accomplish anything unacceptable to the masses for the time being even if we have many reasons to do.

On 21 November 1987, the municipal People's Congress organized a dialogue between municipal leaders and people's deputies. Coming out with a carefully designed proposition based on a serious survey, a deputy pointed out that prices in Tianjin Municipality were too low and the municipality would suffer a lot in competition. He suggested "raising prices with increased subsidies." In reply, a municipal leader said, "Prices are a very sensitive matter and some need rational readjustments. However, at a time when the masses are not willing to accept price increases, we should refrain from taking any rash action and keep prices stable, no matter how ample reasons we have in so doing." His remarks were greeted with applause.

The second principle of "doing solid work" to do things that the masses think need to be done urgently and that can be accomplished by the party and government after exerting the greatest efforts, no matter how difficult they are.

Wang Zhicheng, secretary of the party committee and director of the municipal public utilities bureau, would never forget Li Ruihuan's criticism of him and the "philosophy" of old women, which is too simple to be reasoned out.

It was also on the same occasion that a deputy said, "In the recent past, there was a gas supply shortage for three consecutive days. When will the municipal authorities manage to guarantee a normal supply?" This stumped Wang Zhicheng.

Before 1985, very few households in the municipality used gas, and the gas company's 2,000-plus employees had relatively soft jobs. Within two and a half years, 93 percent of the municipality's 1 million residents or more used gas. Although more than 10,000 employees worked day and night without holidays throughout the year, gas supply shortages were still frequent.

In a tone with qualms of conscience, Wang Zhicheng begged the people of the municipality to make allowances for their difficulties, while putting forth numerous statistics, causes, and calculations.

It seemed that Li Ruihuan did not show tender affection for his own subordinates. Resolute and steadfast, his facial expressions became more awe-inspiring when he got excited. He said, "You have not said anything to the point nor realized the grim situation in gas supply. You must say when the problem will be solved instead of enumerating overelaborate statistics, which are useful only in our research work. An old woman does not care about statistics; what she cares about is if there is gas available when she wants to use it."

At that time, the television station gave live coverage of the dialogue. With his voice getting louder and louder, Li Ruihuan said, "On behalf of the municipal party committee and government, I make a self-criticism in front of the whole people in the municipality! We guarantee the problem will be solved very quickly. Otherwise, there will be changes, thorough changes in personnel and the leading body." His remarks were greeted with thunderous applause.

When Wang Zhicheng returned to the bureau office, some comrades felt wronged, so they shed tears. However, pulling a long face, Wang Zhicheng cried out loudly, "What are you yelling for? The one whom was criticized is me, the bureau director, and not you. Go ahead with your jobs. Being a party member or an official of the Communist Party means getting the worse of it and suffering wrong. I, Wang Zhicheng, will work together with you and make the old women happy. Otherwise, I will not be worthy of being a human being!"

True to his word, Wang Zhicheng managed to make gas supply normal in less than two months. Of course, they did not let the old women who made criticisms know what suffering they had endured.

Major and Minor Issues

"Doing solid work" and "boosting enthusiasm" are interdependent, with each promoting the other. More often than not, in this dialectical relationship there emerges a pleasantly surprising "philosophical phenomenon" between the party and the masses: Sometimes, what the masses view as a minor issue is regarded and handled by the party and the government as a matter of prime importance and sometimes what the party and the government come across and most troubles them, unexpectedly, turns out to be a minor issue and can be done very quickly so long as it alerts the masses.

The 1976 Tangshan Great Earthquake added more ruins to the already fairly old and shabby city of Tianjin. A total of 51,000 households throughout the city had lived in temporary sheds until 1981. There was a jingle circulating among residents in Tianjin that read, "Tianjin has three great strange things: Running water can be used to make salted vegetables; walking is faster than driving a car; and temporary sheds were erected but never seem to have been torn down." After visiting Tianjin, Wan Li, distressed, said, "Tianjin is the dirtiest and shabbiest city that I have ever seen."

On rainy days, the temporary sheds became a vast expanse of water. When telephone calls for help reached the district party committee and government, the party members and cadres just wanted to cry and could do nothing about it. They organized the masses to bail water out. However, not having appreciated that, the masses said, "You can only do that. Can you do anything else?" At the end of June, Liu Fengyan, deputy chief of Hexi District, announced at a mass rally, "The temporary sheds will be removed this year!" The audience burst into laughter. One person said, "Can what that has been unaccomplished in five years be done within five months? Step down and don't stand there bragging!" On 20 December, five months after the event, the thing that could not be done in five years was finally accomplished. With tears in their eyes, the masses said, "We are convinced, really convinced."

Pleasantly surprised that the sheds were removed, the people also removed their doubts and misgivings about the party and the government.

In 1985, Hexi District authorities decided to rebuild the factory buildings in Beiyang. They were a cluster of buildings constructed in 1920, famous for their "triple jump." To put it another way, the roads were higher than the lanes, the lanes higher than the courtyards, and the courtyards higher than the houses. Once, it was raining heavily. A lone old man who lived in a basement room would have been drowned if his voice had not been loud enough to be heard.

The district had 476 households. After a lot of brainstorming, the district authorities managed to save four sets of houses for temporary accommodations for them. With heavy steps, Liu Fengyan, deputy secretary of the party committee and chief of Hexi District, mounted the platform of the mass rally, ready to be hooted off. He said slowly, "We guarantee that you will move to new houses in a year..." An old worker rushed to cut him short and cried out, "Old and young fellows, we have seen what the party and the government have done for us. What is the point to hold this rally anymore? Let's go home and think out ways ourselves." Everybody responded one after another.

At night, traffic was heavy. Some people went and sought refuge with relatives and others with their friends, each going his own way. The district authorities sent cars to carry pregnant women to the doors, they smiled, waved their hands, and then walked away slowly. The children gave their money to buy ice cream for the cadres and old women gave their "private savings" to their children to rent rooms. While reporting to the municipal leaders, Li Fengyan, sobbing with excitement, said, "The sheds can be cleared up within 15 days." It turned out that the task was finished in two days.

According to the plan, it would take several months to sink some 1,800 piles. The construction workers did the pilings nonstop day and night. A row of residential buildings was five or six meters away from the construction site. One day, a team of housewives walked out of the buildings and pooled funds to buy cooking utensils and then made a fire and prepared meals for the construction workers. Moved, the workers said, "We have never met this before. We will never regret this even if we work ourselves to death." Later, it turned out that the task was completed in 18 days.

The birthday of CPC leader Mao Zedong was 26 December. The district party committee picked that date as the day for holding a ribbon-cutting ceremony for turning Beiyang factory buildings into "new Beiyang neighborhoods." When the municipal leaders cut the colored ribbon, shouts of "long live the Communist Party!" burst out of a vast sea of people. A reporter took a picture of this moving scene, naming it "Wish," and then sent it to the municipal leaders. On the back of the picture, Comrade Li Ruihuan wrote some big characters, reading "justice lies with the popular will."

Things in the last two years have become easier to handle. The dormitory of the Tianjin steel cable plant, which was built in the early days of the founding of the PRC and in danger of collapse, was rebuilt the year before last. The reconstruction required 2.3 million [yuan] in funds but the municipal and district authorities only managed to earmark 1.5 million yuan for that purpose. How could the gap be bridged? Municipal and district leaders took the lead in donating money, and the plant's party committee secretary Zhao Lianyuan donated 1,000 yuan; he was also prepared to sell the color television set and refrigerator which he previously

intended to give to his son as wedding gifts, but he was stopped by cadres from the district authorities. In a matter of several days, the donations amounted to 160,000 yuan. However, that was not enough. The masses of people in Hexi District mobilized themselves and did voluntary labor. After coming off work, the workers rushed to work on the construction site. The saved construction fees were used to fill the gap in the budget. After moving to a new house, a 7-year-old "little painter" who came close to being pounded to death while the removal project was under way, drew a picture depicting a clear and lively monkey carrying a big longevity peach with great effort and sent it to the municipal party committee.

"What Is a Good Situation? The 'Officials' of the Communist Party Are Doing Solid Work for Common People"

In Tianjin the best public image is "public servants." In appraising a cadre, the masses want to see just how much solid work he has done. Beginning in 1983, the municipality party committee and government did 20 "principal items" and several thousand "subsidiary items" of solid work for the people in both urban and rural areas every year. The heading of the annual work plan of a district or neighborhood party committee is "in such-and-such year, a total of so-and-so many items of solid work are to be done." Moreover, most of the items are related to the masses' daily concerns.

City dwellers go to work in factories, return home when off duty, and then close themselves behind the doors. People living upstairs do not know those living downstairs, although they have been neighbors for years. In a district, more often than not, the district chief is not as "popular" as an ordinary actor or actress. However, few people do not know Zhang Haosheng, deputy secretary of the party committee and chief of Heping District. He likes to "saunter" and refrains from paying "private visits." So, when having a chat with ordinary people, he would always say, "I am a district chief. Feel free to tell me whatever difficulties you have."

One day in August of last year, the temperature in daytime reached 40-plus degrees Celsius. At midnight or so, suddenly there came a roll of muffled thunder and the rain was pelting down. Heavens helped make people sleep soundly, but the rooms of the district party committee and government building were suddenly brightly lit. As usual when encountering bad weather, the district leaders would rush to their office rooms. Very soon the work was divided: Some people were assigned to look after telephone calls, others to go around the streets and lanes, and still others to go to JINWAN BAO to wait for people's visits. As expected, some people came to report that the rain was leaking in. Very quickly, every household was visited by responsible persons of the district authorities and the leaking houses were repaired. Were there any leaking houses left unrepaired? The next day, it turned out that exactly one percent of the 140,000 houses leaked, only 14 houses [as published]. Some people said,

"Let the housing management department send its men to repair the leaking houses if they have the time." Zhang Haosheng said, "They must send people immediately, not if they are free or not. To us, it is only one percent of the total number of houses is leaking, but to the people whose houses are leaking, it is 100 percent."

The district has a rule: District cadres should make sure that they handle official business separately in the 261 neighborhood committees on one Sunday a month with their shingles hung up. An old man whose first name was Feng said, "What is a good situation? Officials of the Communist Party doing solid work for common people means a good situation."

Plans of Tan Shaowen and Nie Bichu

Li Ruihuan has been transferred to work with the central authorities. Tan Shaowen and Nie Bichu, respectively, took up the posts of municipal party committee secretary and mayor. How do they approach the principle of "doing everything for the people and relying on the people in everything?" Tan Shaowen said, "The masses of people are most beloved. Their demands on the party and the government are not high. The masses of people are most respectable. They are deeply conscious of the righteousness of our cause when they simplified the notion of 'reliance on the people in everything' into 'boosting enthusiasm.' The masses of people are most fearful. If we fail to win their support, we will be unable to accomplish anything satisfactorily. They have now greater confidence in the party and the government and given greater support to the latter as they learned from their personal experience that 'the water has become sweet, the roads broader, and the city more beautiful.' To Lao Nie and me, the most basic thing to do in our work is that we should regard the advocacy of 'doing everything for the people and relying on the people in everything' as the starting point and end result of our work and make unremitting efforts to do solid work for the people with all our mind and energy."

The new secretary and mayor were appointed at a time of economic difficulty. In their opinion, the greater the difficulty, the more we, as leading cadres of the Communist Party, should keep the people at heart and do everything for them and the more it is so, the more we should mobilize, organize, and rely on the masses. As soon as the two men assumed office, they went to basic-level enterprises and conducted investigation and study to gain better understanding of where the crux of economic difficulties lay. They asked the masses to suggest ways and means. As they see it, when it comes to problems, if a small number of people cudgel their brains behind closed doors, more often than not, they can find no way out but if they go among the masses and let them suggest ways and means, they will find dense willow trees and bright flowers [enchanted sight in spring time].

Doing solid work for the people requires money. At present when local financial departments have considerable financial difficulties, can we still make consistent

and untiring efforts to do solid work for the people? This problem was repeatedly discussed at a Standing Committee meeting of the municipal party committee convened by Tan Shaowen and an executive meeting of the municipal government called and presided over by Nie Bichu. The identical view was that the masses can tide over difficulties together with the party and the government and will not set excessively high demands. However, in any case, a leader should strive to do more solid work for the masses. At present, particular efforts should be made to do the things that require no or less money but promise greater results, things that the masses are most concerned about and call for most urgent solutions, and things that are attainable.

When Li Ruihuan was just transferred to Beijing, some people doubted if the new leading body could do solid work as always. More than five months have passed since then and, as everyone has seen, the 20 items of solid work set at the beginning of this year have been satisfactorily finished or are nearing completion. The supply of Chinese cabbage is ample; stovepipes and stoves can be bought more easily than last year; and the basic aspects of the people's life are relatively well attended.

Recently, the municipal party committee made an eight-point decision on cutting the number of meetings and documents to a minimum. Consequently, the number of meetings, documents, ribbon-cutting ceremonies has been deeply cut and a large number of cadres are able to devote more time to going deep into the realities of life, conducting investigation and study, and doing solid work. Elatedly, the people found that not a single one of the many new moves taken by the new leading body was divorced from the basic line of thinking—"doing everything for the people and relying on the people in everything."

NORTHEAST REGION

Cadre Ability, Political Integrity Seen Equally Important

90ON0285A Harbin FENDOU [STRUGGLE]
in Chinese No 12, 1 Dec 89 pp 19-20

[Article by Lin Jianfei (2651 0494 7236): "Counter Thoughts on Upholding the Cadre Standard"]

[Text] Upholding the cadre standard of having both ability and political integrity is both a rule for our party's cadres and an important guarantee for achieving the party's political line. In order to guarantee the smooth carrying out of reform and opening up to the outside world and to advance the great cause of the four modernizations, since the 3d Plenary Session of the 11th CPC Central Committee our party at appropriate times has determined the cadre "four modernizations" policy, and has reformed the management system and work methods for cadres, especially by pursuing the system of making cadre work open and democratic, so that the

cadre standard of having both ability and political integrity is made more specific and more systematic, and it is chosen and used to constantly improve the quality of cadres. Therefore, the party's cadre line and work policy is conscientiously and thoroughly implemented.

However, in recent years certain people have doubted and distorted the party's cadre standard of having both ability and political integrity, and the party's cadre policy has been oversimplified and adopted at will, causing confusion in making use of personnel: First, the cadre's political attitude and ideological consciousness are ignored, and ability is emphasized while political integrity is deemphasized. It is considered to be satisfactory if there is no big problem politically. It is even the case that persons who are good at camouflaging their feelings, who are opportunists in currying favor for personal gain, who are not dependable politically, and who have serious problems economically, infiltrate the leading groups. Second, the cadres' professional quality and work level have fallen. Form is emphasized and ability is deemphasized, and there is a blind pursuit of structural rationalization on the surface layer of the group, with the result that some people who are deficient in experience, who have little ability, who are in a state of inertia, and who cannot open up the work situation occupy leadership posts. Third, principle is weak in cadre work. Connections are emphasized while political integrity and ability are deemphasized, with the result that some people who are inferior in quality, who have an improper work style, who practice fraud, and who are good at exchanging flatteries and favors squeeze into the ranks of leading cadres.

Although these phenomena are limited and few in number, when they occur in the party their negative influence is serious. They not only lower the quality of cadre ranks and bring many latent problems and dangers to the party's cause, they also damage the party's image and prestige, aggravate the state of tension in cadre-masses relations, and hinder the deepening of reform and opening up to the outside world and the smooth carrying out of the four modernizations.

There are many reasons for bias in handling the cadre standard and for errors in making use of personnel, but the principal ones are five in number:

—The influence of the greater environment. In recent years, because Zhao Ziyang weakened the party's leadership, neglected party building and ideological and political work, advocated "elite politics," and winked at the ideological trend of "liberalization," extremely harmful effects were caused in cadre work. On the one hand, cadres who dealt with party affairs were given concurrent jobs and were made professional and "crack," so that a large number of cadre workers with rich experience "were triumphantly transferred" and so that the quality of personnel engaged in cadre work fell, causing superficiality in inspecting cadres and oversimplification in handling the cadre policy. On the other hand, the party's

leadership was neglected and weakened. The party's cadre policy and cadre standard were brought into question and pounded, causing slackness, and problems of lowered standards in the selection of cadres occurred time and again.

—Deviations in understanding. Influenced by pragmatism and utilitarianism, some leaders debased achievements in official careers and productive force standards, and used one-sided viewpoints in treating the policy of the cadre "four modernizations." They even thought that revolution was an empty thing that was opposed to ability, and it seemed as if only those persons who unscrupulously entered into rivalry with the central authorities' policies were "able people" and "reformers" with the spirit of "opening up." Whoever stressed the revolutionization of cadres was scoffed at and was ridiculed as conservative and ossified. In this way, the standard of having both ability and political integrity was overlooked in the selection of cadres. Only age was considered, ability was not questioned; only the diploma was looked at, the level was not questioned; and only profit was considered, the means were not questioned. Therefore, not only were persons with insufficient experience, with limited ability, who practiced fraud, and who violated law and discipline selected to enter the leading groups, but also some cadres were induced to be eager for quick success and instant benefits, to strive excessively to excel, to be opportunistic, and to display other outworn ideas and behavior.

—The fetters of "connection networks." In recent years, corrupt elements have not ceased to exist in cadre work. Some leaders make use of their great power of being in charge of cadre promotions and transfers to bestow benefits on their trusted followers for their mutual use and mutual consideration. Some people who are full of desire to be officials, when they see the cleverness of an investment in "feeling" and the effect of a "connection network," use bribes and other measures to cotton up to and try to be chums with, persons in authority, so that when the time comes they will be nominated and discussed. And so on and so forth. Some people, befuddled by a "connection network," abandon principle on the issue of selecting cadres and some people even set their own standards for promoting cadres.

—Imperfection of the system. After the jurisdiction over the management of cadres was transferred to the lower levels, a new situation of pluralization in cadre management arose and many departments had the power to manage cadres. Because there are no suitable restrictions and no suitable measures for regulation and control, the cadres have, in fact, become the private property of the department or the leader. Cadres in different departments cannot compete in the race at the same starting line, a situation that is bound to lower cadre standards. Because promotion is the optimum means for establishing a leader's

authority and for arousing his subordinates' enthusiasm, the leaders of departments naturally want to select cadres from among their own ranks, and they even promote cadres above the number and grade stipulated for a given post. This obviously leads to a chaotic situation in which each goes his own way, so that cadres of fairly poor quality are put in important positions by promotion.

—Problems in work. Over the past several years, although there has been a fairly big improvement in the ways and means of cadre work, it has still not broken completely free from the fetters of the closed-type old habits, which made a mystery of the work. In some localities there is a fear of "news leaks" about cadre selection, and it is kept secret so that people in the know find it impossible to organize a reaction before a cadre appointment. Also, because the work procedures are anachronistic and oversimplified, it is impossible during the process of investigation to get a grip on the accurate situation with regard to the total nature of the object of selection. With only a superficial, one-sided impression, a cadre's appointment is decided, and this certainly produces the problem of improper use of personnel.

Facts show that a one-sided understanding of the cadre standard of having both ability and political integrity, and a deviation from this standard, will cause all sorts of errors in personnel use. Drawing a lesson from this, party organizations and leading comrades at all levels should deepen their understanding of this cadre standard of having both ability and political integrity and conscientiously change the existing chaotic state of affairs. To this end:

1. They must scientifically understand the connotations of ability and political integrity, get a tight grip on the objective standard, and correctly handle the relationship between ability and political integrity. Political integrity is a comprehensive reflection of a cadre's political stand, ideological viewpoint, moral character, policy level, and pursuit of ideals. It is not an empty, illusory thing, but is the motive power controlling people's behavior and is also reflected in people's words and deeds. Through regular checks of a cadre's behavior and his results, we can differentiate the level of a cadre's moral character, see whether his stand is firm and he upholds the four basic principles, see whether he has a fairly high level of Marxist theory, see whether he is honest and upright and whether he serves the masses wholeheartedly, see whether he relates to the masses and whether his ways are honest and upright, and see whether he is courageous in reforming and blazing new trails.

Ability is the comprehensive reflection of a cadre's knowledge and his ability to apply that knowledge, and it is the foundation of his work for the party and the people. However, at times it is very difficult to distinguish true ability from false ability or second-rate ability. To make this distinction requires an understanding of the ability's essence. In fact, no matter what form the

manifestation takes, a common essence in false ability and second-rate ability is that they do not have the ability to be good at turning knowledge into behavior beneficial to the people and at making a creative work line, which are precisely the excellent character and morals of true ability. Through practice we will be able to select cadres who have true ability and real learning.

Comparing the virtue of political integrity with that of ability, political integrity is the foremost determinant and innate element of a virtue. Only by putting political integrity in first place can we select cadres accurately and make good use of them. However, the quality of ability also cannot be neglected, as otherwise some mediocre, incompetent people will be appointed. We should in actual work dialectically unite ability and political integrity, promoting to leadership posts those outstanding cadres who truly have both ability and political integrity.

2. We must as fast as possible formulate standards for cadre positions and reform the existing method of checking on cadres so as to improve its scientific nature and accuracy. First, we must integrate the carrying out of the state's public functionary system and as fast as possible come up with standards for cadre positions. We must fix and make public in the form of policy and law the specific quality of ability and political integrity required for each level and each type of cadre. In this way we can provide an objective, unified yardstick for distinguishing and appointing cadres; and we can also encourage the great number of cadres to rouse themselves to keep forging ahead and make an effort to improve their own quality. This will also be convenient for the masses of people to vigorously supervise the selection and appointment of cadres by examining, assessing, and recommending. Second, we must, with the standards for cadre positions as the foundation, implement the system of checking by grade and type, focusing on analyzing the cadre's behavior and results, ascertaining the cadre's quality of ability and political integrity and his level, and overcoming the tendency of oversimplification, superficiality, and willfulness in checking on cadres. Third, we must establish a scientific system of checking that forms a complete set, clearly stipulating the procedures and methods in the work of checking as well as the responsibilities and powers, and the restrictions on and supervision of them, thereby ensuring the effectiveness of the work of checking.

3. We must, on the basis of taking measures for democracy and openness, continue to explore new ways to increase the amount of "transparency" in selecting, checking, and assessing cadres. We must, under the premise that the party manages the cadres, create convenient conditions for the masses to participate in cadre management. We must further perfect the mechanisms and the methods for personnel competition, so that outstanding talents will outstrip others. High-level cadre management departments must enhance the inspection,

supervision, and overall control of personnel competition, and coordinate and smooth out all sorts of relationships. At the same time, with regard to corrupt phenomena and unhealthy tendencies in cadre work, in order to uphold the seriousness of the system and discipline we must conscientiously investigate and deal with them, and we certainly cannot tolerate or accommodate them.

NORTHWEST REGION

Qinghai Tea Party Sees in Lunar New Year

HK2301044390 Xining Qinghai Provincial Service in Mandarin 2300 GMT 19 Jan 90

[Excerpts] The provincial Chinese People's Political Consultative Conference [CPPCC] and the provincial party committee United Front Work Department held a tea party at the Xining Guesthouse on the afternoon of 18 January to see in the lunar New Year.

About 400 people attended the party. They included provincial party, government, and military leaders; deputies to the National People's Congress and members of the national CPPCC Committee, who are staying in Xining; members of the provincial CPPCC Committee; leaders of democratic parties and the provincial Federation of Industry and Commerce; nonparty patriotic personages; outstanding figures of the provincial nationalities and religious circles; returned Overseas Chinese; and representatives of Tibet compatriots. [passage omitted]

On the occasion, provincial leaders Yin Kesheng, Tian Chengping, Ma Wanli, and Huanjue Cailang exchanged greetings with nonparty personages. Sitting around tables, they talked about the old days and the happiness of today and exchanged mutual good wishes. [passage omitted]

Speaking on the occasion, in the name of the provincial party committee and government, Yin Kesheng, a member of the CPC Central Committee and secretary of the Qinghai Provincial CPC Committee, extended festive greetings to all present. He said, "Guided by the party's reform and opening up policy, our country has achieved great successes which have attracted international attention, the whole party is united ideologically, the people are inspired with enthusiasm, and the task of economic improvement and rectification is soundly carried out." He pointed out, "At present we should make further efforts to stabilize the political situation, keep firmly to the conviction, principles, and stance of socialism, study and work harder, earnestly implement the spirit of the 5th Plenary Session of the 13th CPC Central Committee and of the enlarged plenary session of the provincial party committee, and effectively accomplish all tasks."

Yin Kesheng continued, "Our party has a long history of cooperating with democratic parties, nonparty patriotic

personages, and people of all nationalities and circles and a fine tradition of treating each other with all sincerity and sharing weal and woe. In the new year we should continue to give full play to the role of the patriotic united front. He hoped that all people present would as always support work of the party and government, suggest ways and means for the development of Qinghai's economic construction, cement the unity of all nationalities, do religious work well, brace themselves up, unite as one, struggle hard, and continuously push forward Qinghai's socialist modernization." [passage omitted]

15 Killed in Qinghai Coal Mine Accident

HK0202020990 Xining Qinghai Provincial Service in Mandarin 2300 GMT 1 Feb 90

[Text] The provincial CPC Committee and government, the Haibei Prefecture CPC Committee and government, and the Datong County CPC Committee and government attached great importance to the serious accident that occurred in (Tiemai) coal mine, and showed the utmost solicitude and concern for the families of the victims.

On 25 January, an accident took place in (Tiemai) coal mine in Haibei Prefecture, involving 15 deaths. After that, the provincial party committee and government and Haibei Prefecture Party Committee and government paid serious attention to it. Vice Governors Bian Yaowu and La Bingli rushed to the scene to take command personally and to organize rescue work. At the same time, they twice carried out activities expressing sympathy and solicitude to the families of the victims. As of 31 January, Heibai Prefecture had sent to each of the victims' households 500 yuan in cash, 25 kilograms of flour, 4 tons of coal, one sheep, and 10 kilograms of edible oil.

Shaanxi Attracts 210,000 Foreign Tourists in 1989

OW2701180890 Beijing XINHUA in English 0655 GMT 27 Jan 90

[Text] Xian, January 27 (XINHUA)—Northwest China's Shaanxi Province received 210,000 overseas tourists last year and earned 35 million U.S. dollars in foreign exchange.

The province boasts many historic sites and beauty spots, and it is a good place to learn a bit of Chinese history.

Officials in charge of tourism expect a better year for the tourist industry, as more overseas tourists are expected to arrive this year. The present stable political and economic situation in China has created a good environment for the tourism industry, the noted.

The province plans to organize more sports and cultural activities this year in which foreign tourists may be interested.

New City Rises on Flood-Ravaged Site in Shaanxi

OW2801165690 Beijing XINHUA in English
1441 GMT 28 Jan 90

[Text] Xian, January 28 (XINHUA)—A complete new city has been built on the ruins of Ankang City, Shaanxi Province, which was destroyed by floods seven years ago.

New high-rises line wide concrete streets which were crowded with simple wooden one-storey houses before the flooding.

Forty-three apartment buildings, with total floor space of 76,000 square meters have been constructed in the new city area.

The total floor space of new buildings is now 3.57 million square meters, four times that of 1983.

The new city has expanded to ten square kilometers, more than seven square kilometers larger than the old city.

More than four kilometers of 256.8-meter-high flood-proof dikes have been erected along the Hanjiang River to ensure the safety of the city.

Public Indifference to Crime Decried

Letter on Assault Case

90ON0303A Urumqi XINJIANG RIBAO in Chinese
28 Dec 89 p 4

[Letter to the editor by Fan Zengshen (2868 1073 3947): "Don't Let Evil Prevail Over Justice"]

[Text] Comrade editor:

A soldier who bravely subdued a knife-waving ruffian on a train two years ago was beat up today on a bus by a thief while none of the 30-plus passengers dared to stand up to help him. For this, this soldier, the victim of assault and battery, made an appeal to society: Please do not let evil prevail over justice.

The soldier who was beaten up by a thief is named Cheng Guo [4453 0948]. He is a staff officer at the headquarters of a certain regiment of the Xinjiang Military District. On 28 October 1989, after returning from a trip to Beijing where he attended the 40th National Day celebrations as the model worker of the army, Cheng Guo took a bus from Kuitun to Wusu to report to work at his division. As soon as he got on the bus, before he could find a foothold, a young man who covered his face with a hat tried to pick his pocket. Discovering this, Cheng Guo stopped him and said: "How can a young man do such a thing." Instead of stopping, the thief suddenly punched Cheng Guo in his face. Cheng Guo's glasses were broken and blood immediately ran down his face. Before he could defend himself, Cheng Guo's wristwatch was snatched away. The thief jumped off the bus (which was still parked) and gathered together a dozen young people to shout and curse: "Get down here, soldier!"

Noticing that there were more than 30 passengers on the bus, Cheng Guo begged them to stand up to help him reason with those people. But the driver said, "I cannot get involved in such things, otherwise, they will come to my house at night." Some passengers pretended to sleep while others paid no attention at all. With everybody staring, the offender of the assault staggered away with great ease.

This scene formed a sharp contrast with what happened two years ago. On 2 April 1987, Cheng Guo took the No. 70 express from Urumqi to Beijing to visit his ill wife. As the train traveled near Lanzhou, something suddenly exploded in the 13th car, and then a knife-waving murderous-looking ruffian dashed into where he was, the 14th car. At that time, there were already three deaths and eight severe injuries. Cheng Guo, a soldier who had been in the service for 11 years, did not flinch before the infuriated ruffian. Seizing an opportunity, he subdued this ruffian with the help of other passengers and avoided an incident of more bloodshed. This incident became a much-told story in the barracks and society.

When the masses were in danger, the hero stood up for them. Today the hero was under attack, but not one person helped. This made him very upset. "When I begged for help, how come not even one person stood up for me? Letting evil prevail over justice—this is really hard to take." He also said that although he suffered some losses, he never regretted his actions. He also hoped to gain people's understanding and support.

Commentary on Public Apathy

90ON0303B Urumqi XINJIANG RIBAO in Chinese
28 Dec 89 p 4

[Commentary by Lu Xinfu (0712 2450 3940): "When Everybody Gives Love, the World Will Be a Beautiful Place"]

[Text] Since ancient times, China has always been a nation of etiquette, and Chinese people have always been famous in the world for respecting the elderly, loving the young, stressing righteousness, and ignoring gains. Because of this, we proudly and enthusiastically eulogize those heroes who get rid of bullies and bring peace to good people and who help people in danger and difficulty. This noble moral character of theirs comes from the noble "love" of our nation.

But before long, this traditional virtue of our ancient nation was trampled upon. In many places, people have become cold and detached from each other. In a dangerous environment and before ruffians who are about to commit assault or murder, fewer and fewer people are willing to stand up while onlooking and saving one's skin have become a common phenomenon. This cannot but remind us of those apathetic onlookers under the pen of Lu Xun. If Ah Q was indifferent and even shouted "interesting" when he saw the execution of revolutionaries because he was foolish and backward, then people in real life have lost the most basic humanity and justice.

We cannot but ask ourselves how would we think about those apathetic onlookers if our close friends and comrades were persecuted, our sisters were bullied and humiliated, our parents needed help, we found ourselves in a tight spot because of the attack by many ruffians, or we were about to die from drowning?

The emergence of such social phenomena has profound and complex causes. They include the reflection of backward ideas deposited in people's mind, the influence of foreign trends of thought, the pernicious influence of the 10-year turmoil, shortcomings in the public security system, and so on.

But at least we should show some "love" and assume some responsibility for our country, society, and mankind. Since we are human, we have not only the property of natural life but also more importantly the property of society. Seeking self-perfection and offering their service are the proper expressions of human properties. Humans not only sing enthusiastic songs of justice but also practice the pursuit of justice.

If people do not have "love," they will definitely forget about justice when they see profits and watch people die instead of saving them. If people do not have "love," their living space will be minimized. If people do not have "love," they will feel lonely in a crowd and cold under a scorching sun. If people do not have "love," social tragedies will occur continuously.

Because of this, we call for the social practice under which people find it a pleasure to help others and are ready to take up the cudgels for a just cause. We also call for the development of Chinese traditional virtues. As we work hard for material improvement, we must not ignore ideological improvement. As long as everyone of us gives a little "love," the world will become a beautiful place to live.

Xinjiang Holds Land Management Law Propaganda Rally

HK1701034990 Urumqi Xinjiang Regional Service in Mandarin 1230 GMT 13 Jan 90

[Text] This morning the region held a mobilization rally to launch a propaganda drive for a month, to mark the 3d anniversary of the enforcement of the land management law. It called on all places throughout the region to seriously publicize the land management law so as to strengthen the cadres' and the masses' idea of land, and to create a good environment for the subsistence and development of the country and nation.

Tomur Dawamat, chairman of the regional government, delivered an important speech at the rally. He said: Over the past 3 years after the land management law was enforced, the land management work in our region has developed very greatly. However, some problems have also existed. The basic task of the land management work of our region in the future is to seriously enforce the law management law, and to guarantee the needs of

the people's food and construction [words indistinct] with the limited land resources.

Tomur Dawamat said: To accomplish this task, we must first step up the publicity of the basic national conditions and national policies of the land of our country and the characteristics of the land resources of Xinjiang, establish a new concept of treasuring land, and conscientiously ensure the use of land according to the law and in a thrifty way. The departments concerned must step up the formulation of an overall plan for the utilization of land, do a good job in macro control, and handle the relations between food and construction well. Moreover, we must strengthen unified land management, the enforcement of the law, and supervision and ensure that where there is a law, it must be observed; the law must be strictly enforced. We must put the land management work on the track of enforcing the law in a scientific and unified way.

This propaganda month drive commenced on 15 January and will conclude on 15 February.

Today, Urumqi has sent a number of propaganda cars to disseminate the land management law on the streets and lanes.

National, Xinjiang Leaders Visit Transport Units

HK2201072690 Urumqi Xinjiang Regional Service in Mandarin 2310 GMT 17 Jan 90

[Text] In 1989, the staff of the Regional Passenger Transport Company and of the South Urumqi Railway Station united for struggle, and won outstanding achievements in work in highway transport and railway transport. In the morning of 17 January, Wang Enmao, vice chairman of the National Committee of the Chinese People's Political Consultative Conference and chairman of the regional advisory committee, and regional party and government leaders Tomur Dawamat and Zhang Sixue and others arrived at these two units to visit the staff personally. They extended New Year's greetings to them, and encouraged them to continue their efforts in making bigger contributions to stability and unity of the region.

Xinjiang To Work for Bumper Harvest in 1990

HK2401083990 Urumqi Xinjiang Regional Service in Mandarin 1230 GMT 23 Jan 90

[Excerpts] On 21 January the regional party committee and the regional people's government jointly issued a notice to all areas of the region, urging them to take effective measures to strive for an all-round harvest of agriculture and animal husbandry in the first year of the 1990's.

The notice says: In order to fully mobilize the whole region to vigorously develop agriculture and animal husbandry, take a new step forward, and create new successes in agriculture and animal husbandry in the first year of the 1990's after reaping bumper harvests for 12

years running, we should now lose no time in adopting a series of effective measures to ultimately attain this year's goal of striving for bumper harvests in the face of natural disasters on the basis of strengthened ideological work, solid organization work, good service for production, and adequate supplies of materials and technical help. [passage omitted]

The notice points out: To bring in bumper harvests in 1990, all localities should carry out widespread and profound ideological education and mobilization work in three aspects. First, it is necessary to further teach the people that agriculture is the foundation of the national economy. Second, it is necessary to extensively teach the people to increase input of materials and technology. Third, it is essential to intensify policy education. [passage omitted]

Xinjiang Party, Government Issue Joint Circular

HK2101003090 Urumqi Xinjiang Regional Service in Mandarin 1230 GMT 14 Jan 90

[Text] To let people from various nationalities in the entire region spend a happy, favorable, and civilized Spring Festival, the office of the regional CPC Committee and office of the regional people's government jointly issued a circular a few days ago on carrying out Spring Festival activities. The circular urges party and government leaders at all levels to make use of this good opportunity to form closer contacts with the masses and promote friendship and understanding between cadres and the masses. Around the Spring Festival, leading comrades in various localities and departments must use various methods, including interviews, family visits, heart-to-heart talks, and so on, to go down to the grassroots units. In particular, they must go to those enterprises that have encountered great difficulties, and poor counties, villages, and households in order to know their preparations for Spring Festival activities, and solicit their opinions and proposals. They must also help them solve some practical problems. In particular, they must pay family visits to those comrades who have complaints about their leaders, pay them a New Year's call, and heed their opinions with an aim of deepening understanding and friendship.

The circular also urges leaders at all levels to make good arrangements for cultural activities during the festival, so that people from various nationalities in the whole region will spend their Spring Festival happily, have a good rest, and enjoy their recreational activities. Various units responsible for distributing and showing videotapes and films must supply and show more videotapes and films for the audience. Various professional and part-time artistic troupes must prepare a number of high-quality literature and art performances, and do their best to give performances in villages, factories, army units, hospitals, sentry posts at the border, and so on, to extend greetings and gratitude to workers, and officers and soldiers of the People's Liberation Army [PLA] who stand fast at their posts during the festival.

The circular also urges various localities to do well in ensuring ample commodity supplies during the festival, and carrying out the activities of supporting the Army and giving preferential treatment to families of revolutionary martyrs and servicemen to truly help the PLA units and families of revolutionary martyrs and servicemen solve some practical difficulties, to further promote unity between the the Army and government, and between the Army and the people. They must also do security work well during the festival to ensure a good social order, so that people from various nationalities will spend their Spring Festival safely.

PRC MEDIA ON TAIWAN AFFAIRS

Mail From Taiwan to Shanghai Increasing

OW0102211290 Beijing XINHUA in English 1524 GMT 1 Feb 90

[Text] Shanghai, February 1 (XINHUA)—The amount of mail coming to Shanghai from Taiwan has risen to almost 20,000 letters per day this year.

The city received an average of 80,000 pieces of mail from Taiwan each month in the second half of last year. Letters shuttling across the strait amounted to 5.5 million, according to an official from the municipal post office.

In 1989, at least 160,000 Taiwan compatriots came to the city for sightseeing or to visit relatives. More than 360 people from Shanghai crossed the strait to visit ill relatives, attend funerals, or to settle in Taiwan.

The city's 12,000 postal workers made great efforts to deliver misaddressed or "dead letters."

Mainland, Taiwan Scholars Meet on Study of Old Novels

OW0202023290 Beijing XINHUA Domestic Service in Chinese 1322 GMT 1 Feb 90

[By reporter Zhang Weidi (1728 0251 1717)]

[Text] Nanjing, 1 Feb (XINHUA)— The "Jingling [former name of Nanjing] Symposium on Novels of the Ming and Qing Dynasties" opened here today. With more than 100 experts and scholars from both sides of the Taiwan Strait attending, the symposium is the largest gathering so far on the study of Ming and Qing dynasty novels.

The symposium is sponsored by the Jiangsu Provincial Academy of Social Sciences and nine other units. Participating experts and scholars will make an extensive examination of the history as well as the current situation of research work on novels of the Ming and Qing dynasties and exchange the new results obtained in their research. They will also hold in-depth talks on promoting the further flourishing of research and publishing undertakings on both sides of the Taiwan Strait concerning

novels of the Ming and Qing dynasties. It is learned that the more than 80 papers submitted by the participants will be compiled and published together.

Taiwan Professors Visit Beijing at CPPCC Invitation

OW0102040690 Beijing XINHUA Domestic Service in Chinese 1503 GMT 31 Jan 90

[By Li Zehong (2621 2344 4767)]

[Text] Beijing, 31 Jan (XINHUA)—An 11-member group of professors from Taiwan's Society for Mainland

Studies arrived in Beijing tonight on a winter vacation visit at the invitation of the Committee for Reunification of the Motherland under the National Committee of the Chinese People's Political Consultative Conference [CPPCC]. The group is headed by Professor Chu Hsin-min of Chengchi University on Taiwan.

The group is composed of professors from nine universities in Taiwan. During their stay in Beijing, they will mainly study the mainland's political, economic, and cultural, and educational situation, and conduct academic exchanges with their mainland counterparts. They will also visit Nanjing, Shanghai, and Xiamen.

Assessment of Chien Ming-ching, Provincial Assembly Speaker

90ON0279A Taipei TZULI WANPAO in Chinese
17 Dec 89 p 2

[Article by Wu Chung-hsin (0124 1813 0207): "Chien Ming-ching (4675 2494 2529), Arbiter in the Kuomintang Negotiations Arena"]

[Text] Chien Ming-ching, secretary of the Provincial Assembly's Kuomintang faction, who had hitherto often been depicted as a "duck sculling in water," seems to have sprouted wings recently, soaring skyward. His selection as the new speaker of the Assembly is his reward for long-term planning and dedicated management. Yet, it is his planning that seems to have aroused controversy, particularly his stand-off with rival Huang Chen-yueh [7806 6966 1471] from the start of the campaign, which created an unprecedented battle election in the 40 or so years. Behind the covert turbulence of intrigue and deceit, the Assembly itself faces the danger of internal rifts.

Objectively, Chien's breaking out into his own was the result of starting early; when in the still rough stages of the new Assembly, he was ubiquitous in his cajoling and persuading, securing support and pledges from colleagues. It thus became a foregone conclusion that the Kuomintang would nominate him in the after considering the situation. Subjectively, however, in his four years as party secretary, he had been so successful in running interference for the party's position on so many occasions during provincial confabs that the party was simply paying up its "chits."

In the lingering shadow of the 7th Plenary Session of the Provincial Assembly, when the delegates of the other provinces resigned en masse, the interaction between the two parties in office was tensely confrontational during the 8th Plenary Session. It is not difficult to imagine the tremendous pressure he faced as secretary of the Kuomintang group, particularly when the formal participation by the Democratic Progressive Party [DPP] faction in the current plenary session crystallized the opposition of the political parties against each other. Chien regularly darted back and forth on provincial proposals, exercising his considerable talents in bouncing back and forth between opposites, seeking compromises and middle grounds, thoroughly immersing himself in every detail to arrive at a final proposal. He reduced complex proposals to simple ones by negotiation, and thus minimized conflict inside the conference hall.

As a matter of course, he stressed that in politics harmony comes out of reason, yet he does not rule out the use of power when he finds it necessary. When dealing with many major proposals, he was outwardly calm, but he was actually deploying his resources, continuing to wheel and deal on one hand, but marshalling his Kuomintang colleagues to vote in favor. This is the exemplification of a "duck sculling in water." He maintains that political negotiation is a serious art; one must not rush things, but must give the other side room to maneuver.

One must proceed with discretion. Having withdrawn to the final line of resistance, must be ready to counter-thrust with all available power to defeat the other side. The most prominent final bills of this session, among them the Lawful Provincial Government Organization Law, the Freezing of Election Campaign Expenditure Law, and so forth, were all carried out under his concepts. While the DPP pictures the Kuomintang as a "brutality of the majority," on the whole, the process might be considered as conciliatory and harmonious. The Kuomintang did not look very bad.

Much Praise for His Breakthroughs in Negotiating With Parties Out of Office

An intimate of Chien, DPP leader T'sai Chieh-hsiung [5591 0094 7160] has described him as a formidable adversary. The two often go toe-to-toe in public business, but each has drawn back on critical issues, eliminating some unnecessary roadblocks. For example, during last year's incident when the DPP initiated a provincewide protest by party cadres at the Provincial Assembly against official appointments made by Governor Ch'iu Ch'uang-huan [8002 0480 3562], Chien repeatedly pleaded with the DPP to stop the large crowds from demonstrating in the vicinity of the Assembly, also asking that the crowd not overreact against the governor himself. But he also arranged for Governor Ch'iu to come out and personally address the crowd.

With mutual agreement, the DPP leaders deliberately cleared a path through the gathering so that the governor could enter the Assembly hall. He then appeared to receive the protest in writing, and spoke with the leaders for the first time. The DPP had the crowd under good control.

That day, Chien, in plainclothes, surveyed the area personally, and had personal communication with the DPP leaders. The results were mutually satisfying and he received high praise from the Kuomintang's senior leadership.

His Cutting Edge for Negotiation First Showed Serving at the Green Fruit Association

His talent for negotiation was revealed early when he served as general manager of the Green Fruit Association. In 1976, when Taiwan exported bananas to Japan and relations deteriorated somewhat, he hurried back and forth between Kaohsiung and Tokyo and broke a stalemate to hold down the cost. The Japanese were not straightforward in doing business, so Chien started with a high price offer, but gradually came down to that acceptable to the Japanese. From time to time, he would come to a firm stop and stay at that price. The Japanese, awed by his "ashari" or nimble dexterity, labeled him "kamaisan" (in Japanese, "turtle," regarded as an auspicious animal; calling him "kamaisan" signified affection and respect), presenting little obstruction in dealing with him.

Elected Twice as Provincial Assemblyman for P'ingtung Magistracy, His Political Career Proceeds Smoothly

After he left the Green Fruit Association, the Kuomintang planned to make him its assemblyman from P'ingtung. He had a smooth career in the 7th and 8th sessions. But in last year's 13th party Central Committee election, he was defeated. At the time, the party thought he would be a shoo-in because of his work as party secretary. Not only did he not make it, he failed even to be an alternate. It was reported that, when the results came out, party chairman Li Teng-hui and other key people telephoned their concern. Therefore, this year's phenomenal achievement to become speaker of the Assembly has no cause-and-effect connection with what happened 13 years ago.

The self-described "calm and collected" Chien turned into a dynamo in this fight for election, grabbing people for support in sharp contrast with the gentle and restrained stance of the past. This can be attributed to a lesson learned 13 years ago, that complacency had cost him the election. Now, he started first and threw everything into it. And it worked, toppling the vice speaker, Huang Chen-yueh who had always coveted the spot.

His Connections With Tseng Cheng-nung Has Evoked Much Speculation

After he got the Kuomintang nomination for speaker, skeptical questions began cropping up. What drew the most attention was his connection to a well-known businessman of Chiayi, Tseng Cheng-nung [2582 2182 6593], chairman of a chair manufacturing company. Some even referred to him as a "Tseng Cheng-nung man." Despite his denials, there were persistent stories of money interests getting into the race for speaker. The primary reason to think that the two are close is the fact that Tseng had heavily supported and looked after Chien's people, such as supervision committeeman Ch'en Hsi-chang [7115 6932 4545], assemblymen Li Ya-ching [2621 7161 2529], Huang Yung-ch'ing [7806 3057 2953], and Li Ming-t'ung [2621 2494 6639]. Moreover, the two have close personal contacts; in particular, in the current session, voting to increase the membership of the Supervision Committee, which was aggressively introduced by Tseng Cheng-nung in collaboration with Chien. Also, when Chien met with his earlier reverses, Tseng had given him much help.

With a Chien-Huang Stand-Off, the Struggle for Speaker Attracts Wide Attention

The reason that Chien, as a dark horse, shattered conventional political logic in becoming speaker, is due to the split within the Kuomintang stemming from their stand-off. While the curtain may come down shortly on their struggle, the inner wounds may take some time to heal. This is the first time in 40 years that the shape of the Assembly has undergone a clear alteration, and there are rampant rumors of bribery. The aggressive candidacy of Chien will no doubt add fuel. He will be closely watched for the record. No matter what, he had now become the most controversial person in the 40 years of the Assembly.

Authorities Criticized for Reaction to Independence Issue

90ON0279B Taipei TZULI WANPAO in Chinese
23 Dec 89 p 5

[Article by Kan T'sao (3927 5430): "The Official Reaction to Advocacy for Independence Is Inappropriate"]

[Text] During the election campaign, some "new tide" candidates of the People's Progressive Party proclaimed a "New National Front." The Chinese Communists sent a warning against Taiwanese independence. And our authorities, under the pretext of the threat of Communist invasion, attacked and threatened the "New National Front." It is undeniable that the Communist military threat cannot be ignored, but the reaction of our authorities is not appropriate:

1. In the current international situation, the Communists have had their republic for 40 years, recognized with diplomatic relations by many nations. Yet our country, although restricted to Taiwan, and territorial sovereignty limited to that and the Quemoy-Matsu area, still had not abandoned claims of sovereignty to the mainland. Still, we are an independent nation. If the Communists attack, it would be military aggression in the eyes of the world. In the general atmosphere of international peace, under general principles of peaceful solutions, any attempt to use force by the Communists would evoke international censure just as did the 4 June incident.

2. While talk of independence is popular, whether there should or should not be independence is a matter of domestic politics, not to be criticized or attacked by the Chinese Communists, let alone the use of force to invade. Our authorities represent our Republic of China to the outside world, and should have responded sharply to the Communist intimidation by proclaiming to the outside world our special indignation in the wake of the brutal 4 June massacre.

3. In our 40-year confrontation with the Communists across the sea, we have always considered them a "rebel group," a communist country. From time to time, our government has reaffirmed its anticommunist position, and yet now we use its threats to oppose talk of Taiwanese independence. This is rather mystifying. It is hard to concur with the notion that our self-proclaimed independent nation would use such an occasion to react against some mere chatter by the Chinese Communists. Perhaps we should reexamine the possibility that our own position might be vulnerable.

The question of independence of Taiwan should be debated within the framework of free speech, giving it the guarantee of reasonable and open discussion, including every kind of opinion. Although the election is over and peace and quiet have returned, the question of independence can be given deep thought and common reason to be decided by the entire citizenry of Taiwan.

Poll Shows Weakened Confidence in Future

90ON0271A Hong Kong MING PAO in Chinese
29 Dec 89 p 3

[Text] A public opinion poll has found that 25 percent of Hong Kong residents think that the British abode scheme that was announced for them by the UK will weaken their confidence, while only 15 percent think that it will help to strengthen it.

This poll that was supported by MING PAO also found that, although most Hong Kong residents are still optimistic about Hong Kong's prospects for 1990, increasingly fewer people are optimistic about Hong Kong's future as 1997 approaches, and the number of people who are still optimistic about Hong Kong's future after it reverts to Chinese sovereignty in 1997 has dropped to less than 20 percent.

The poll also found that most Hong Kong residents think that issues such as the brain drain, China-Hong Kong relations, the slowing economy, and the Vietnam boat people will continue to trouble Hong Kong for some years.

The poll was conducted by the Hong Kong Market Research Office on a TV program on the evening of 28 December 1989 (on the subject of issues facing Hong Kong in the 1990's), and consisted of random sampling telephone interviews with 550 people between the ages of 15 and 64.

The poll found that 26 percent of those interviewed thought that the British abode scheme for Hong Kong residents that was announced by the UK during the week

of 17-23 December 1989, would weaken their confidence, while 16 percent thought that it would strengthen it.

However, most of those interviewed (44 percent) thought that the British abode scheme would have absolutely no impact on Hong Kong residents' confidence, while 13 percent had no opinion on this issue.

Under the British abode scheme announced by the UK, 50,000 families, or a maximum of 225,000 of the 3.28 million British Hong Kong residents, will be given full British citizenship, including the right to live in England.

The number of those interviewed who were optimistic about Hong Kong's future from 1989 to 1997 dropped to 40 percent, while 42 percent were certainly not optimistic about it.

Only 19 percent of those who were asked about Hong Kong's future after it reverts to Chinese sovereignty in 1997, were still optimistic about it, while almost one-half (49 percent) were certainly not optimistic about it.

More Than Half Think That 1990 Will Still Be Good

The poll found that 56 percent of those interviewed were optimistic about Hong Kong's prospects in 1990, nine percent of whom were very optimistic, while 31 percent were certainly not optimistic.

In addition, the poll also found that 84 percent of those interviewed thought that the brain drain would continue to trouble Hong Kong for some years, 79 percent thought that the Vietnam boat people would continue to be a troublesome issue, and 67 percent thought that China-Hong Kong relations and the slowing economy would be also be puzzling problems.